

Testimony  
by  
Dustin Bollig  
Founder of the Beginning Farmers Network  
From  
Fenton, Iowa

before  
Chairman Hayes

At  
Sioux Center, Iowa  
July 31, 2006

Thank you, Chairman Hayes, for allowing me to testify on the future needs of the coming farm bill. My name is Dustin Bollig and I am a 25 year old farmer from Fenton, IA. I have worked on my family's farm all my life growing corn and soybeans, and recently graduated from Iowa State University with an Ag degree in 2004. I have since returned home to work on the farm.

My concerns towards the future of farming are at its base, the beginning farmers. We face many road blocks that detour our entry into this challenging business. While I was attending Iowa State, I met many peers with the same issues I was facing at home. Cash rent was financially bid out of our reach from other established farmers, and land was selling way too high for someone with a small amount of equity to cash flow. Furthermore, older farmers had no incentive on retiring the land to new farmers who are willing and eager to care for the land.

In order to discuss and address some of the issues mentioned above, I decided to form a network called the Beginning Farmer Network (BFN). This network focuses on developing advantages toward young and beginning farmers like ourselves. It allowed us to build a community that could communicate and help each other solve problems. The network also actively seeks out knowledgeable speakers in the real world of Ag to present solutions as well. That way we had a better approach to get into farming after we graduated. Soon after I started this group, I had 138 members and averaged 40 students at each meeting. Four years later it is still a profound network at Iowa State University and is providing an annual conference for all past members to attend. This event is sponsored by the Beginning Farmer Center (BFC) whose goal is to help young people get back into the farm by linking them with retiring farmers.

One of our first speakers, John Baker from the BFC, gave us a lot of interesting statistics that they have found through their research. What interested me the most was the fact that in Iowa, 70 percent of the landowners were 55 and older (48 percent are above 65). Furthermore, 70 percent of that group had no planned successor! This showed us that there is plenty of room for new farmers to enter into the business if the retiring farmers would retire the land to us. However, there are many disadvantages we face getting started compared to established farmers.

Established large farmers get bigger volume discounts when purchasing inputs and collect larger government payments. This allows them to pay a higher amount of cash rent than my peers and I can afford. They have advantages in crop insurance because they are guaranteed 75 percent of a 10 year average of all their farms, whereas a new producer has to take 75 percent of the county average which is considerably less than what established farmers get. At this point, it seems these farmers have all the advantages they need, so my colleagues and I would like to make a few suggestions that would bring some advantages to the beginning farmers table.

- 1) A deduction in Federal Income Tax to landowners who rent their land to a beginning farmer. The deduction must also be subtracted from at least some of the rent so the young farmer pays an amount that will help him build up his net-

worth. It should be designed to encourage a long term relationship so that the land owner doesn't have to keep looking for a beginning farmer a few years later.

- 2) Allow a reduced capital gains tax to those who sell their land to a beginning farmer. Again make sure that the buying price is lessened from the tax reduction so both parties win.
- 3) Provide matching funds to the Beginning Farmer Center. This would allow them to expand their knowledge and goals more efficiently by providing regional offices across the state, which would help provide a better service of connecting people like me with retiring farmers, and supply more in-depth research concerning problems faced by beginning and retiring farmers. They would also help sponsor and spread the Beginning Farmer Network that I started to other colleges across the state, assisting the BFN in its goal of developing a statewide or national community.

These are a few issues that we believe would significantly help people like me across the country become more established for the future, while at the same time helping to keep life in rural communities before they are lost forever.

Thank you for your time and I hope you can see the importance of our future in this industry; Not only for us, but for generations to come.

Sincerely,

Dustin Bollig  
Founder of the Beginning Farmer Network

P.S. I have included information on a power point presentation representing a survey put together by Dr. Mike Duffy, Director of the Beginning Farmer Center, Professor of Economics, and Land Economist for Iowa State University.

# Current Economics in Farm Succession

Farm Ownership:  
The Changing of the Guard

Michael Duffy  
October 6, 2003

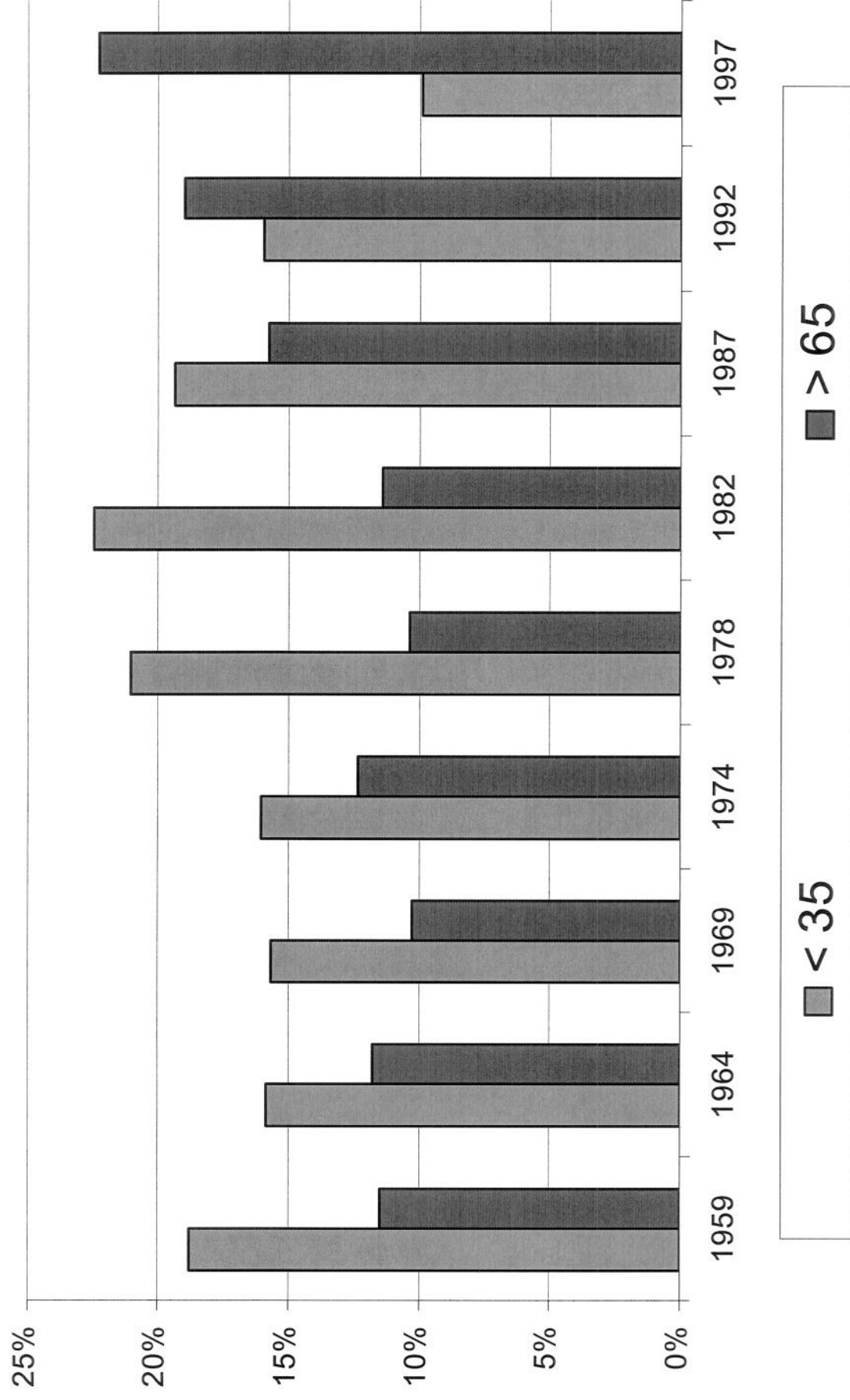
# Current Economics in Farm Succession

- Current state of Iowa succession planning
- Iowa farmland ownership
- Returns to farmland
- Implications for beginning farmers
- Options

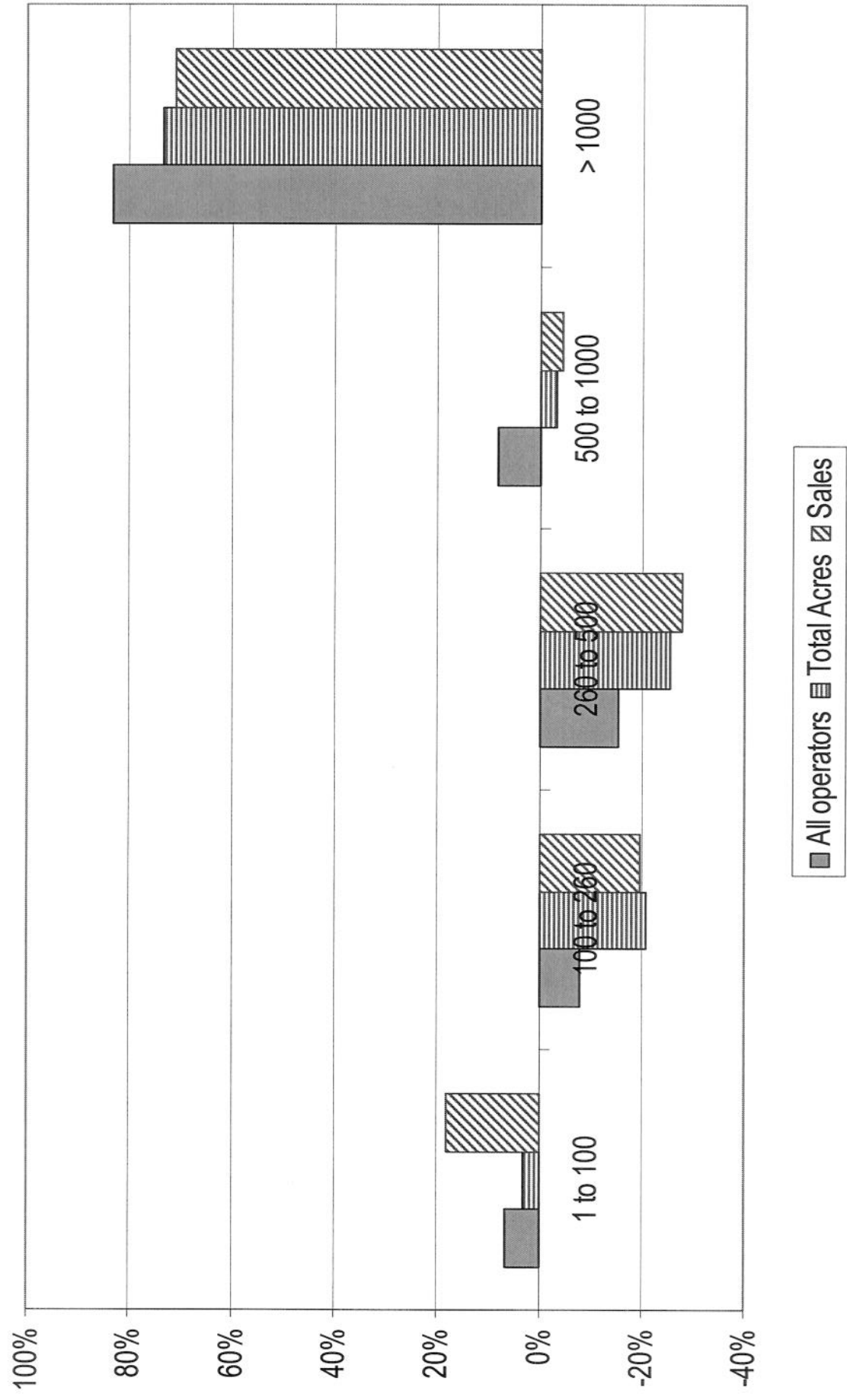
# Issues/Problems/Opportunities

- Losing our young farming population
- Disappearing middle sized farms
- Majority of government programs are barriers to entry
- Commodity production has very tight margins that must have volume for income
- There are options available but it will take a change in mindset

# Percent of Iowa Farmers by Age

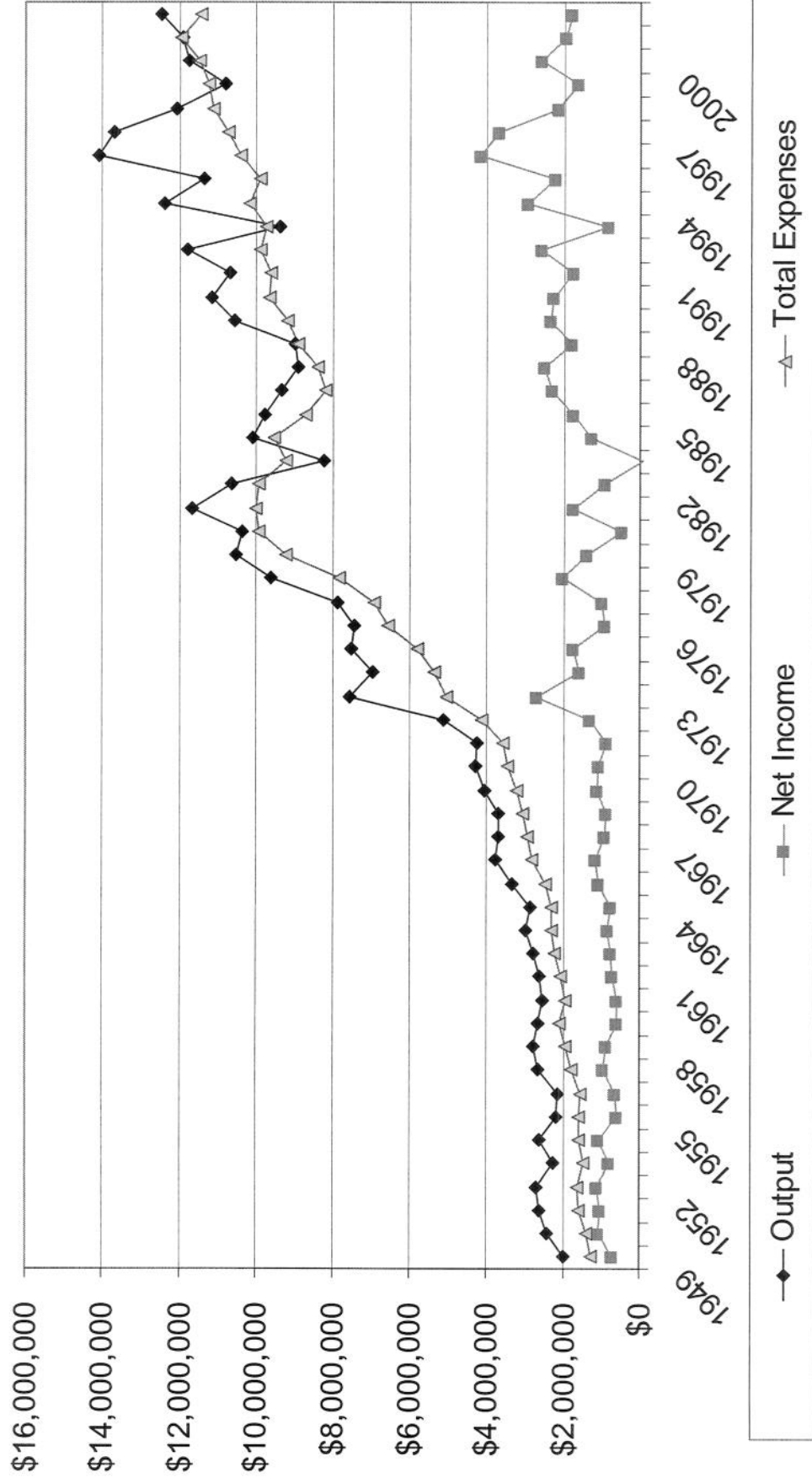


Percent Change in the Share of Each Category's Contribution to  
the Total, 1987 to 1997, Iowa

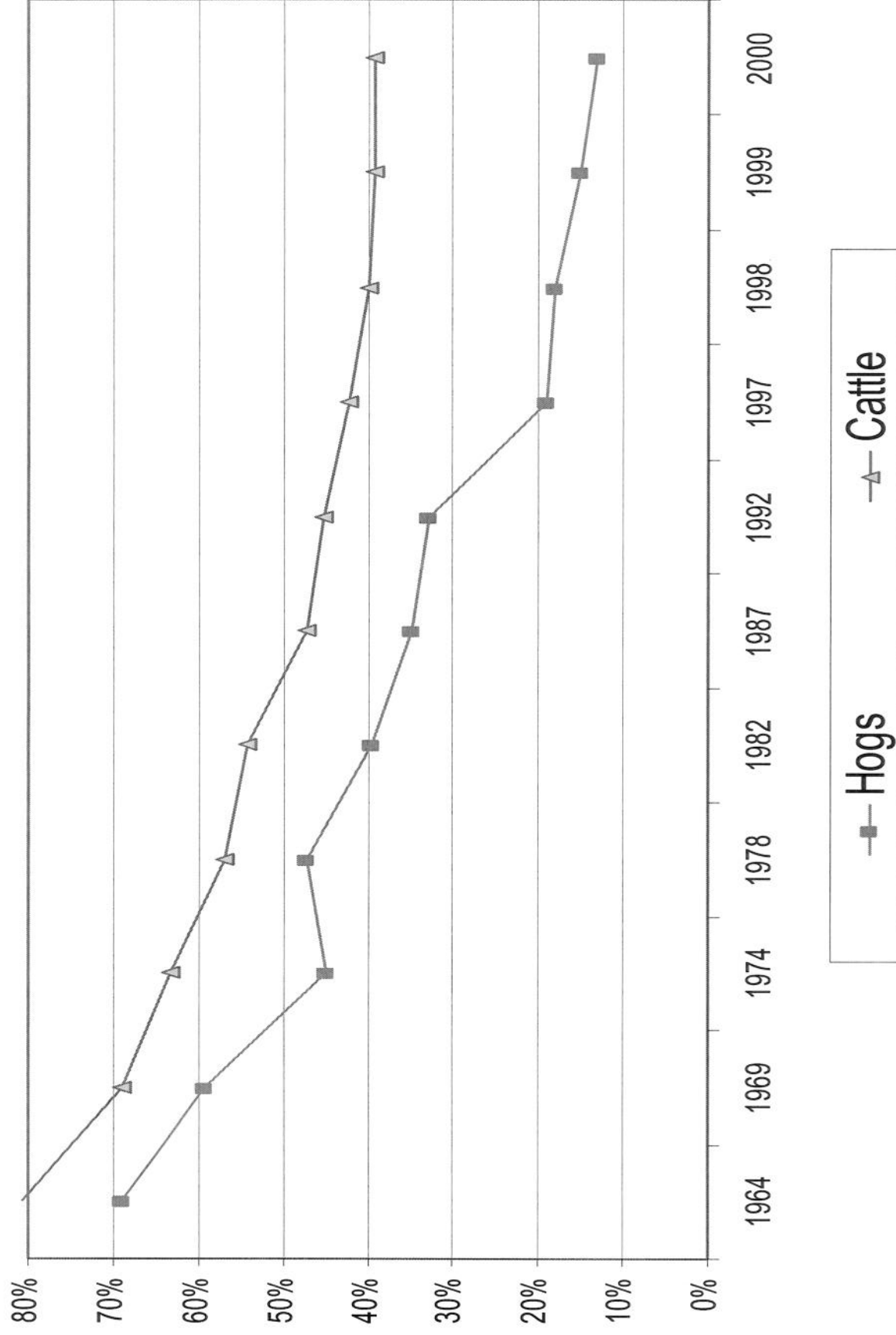




# Iowa Farm Output, Total Expenses, and Net Farm Income



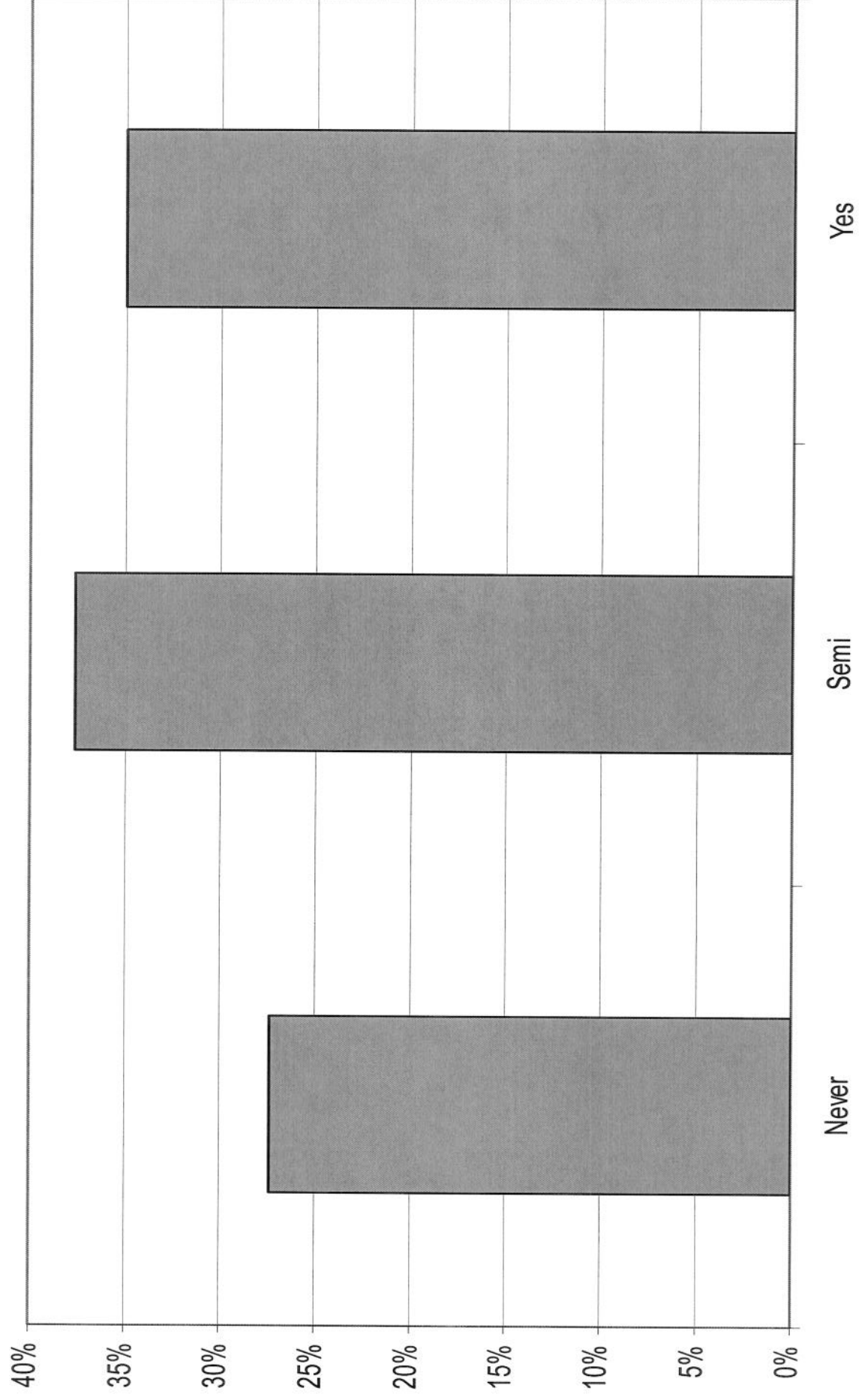
## Percent of Iowa Farms with Hogs or Cattle



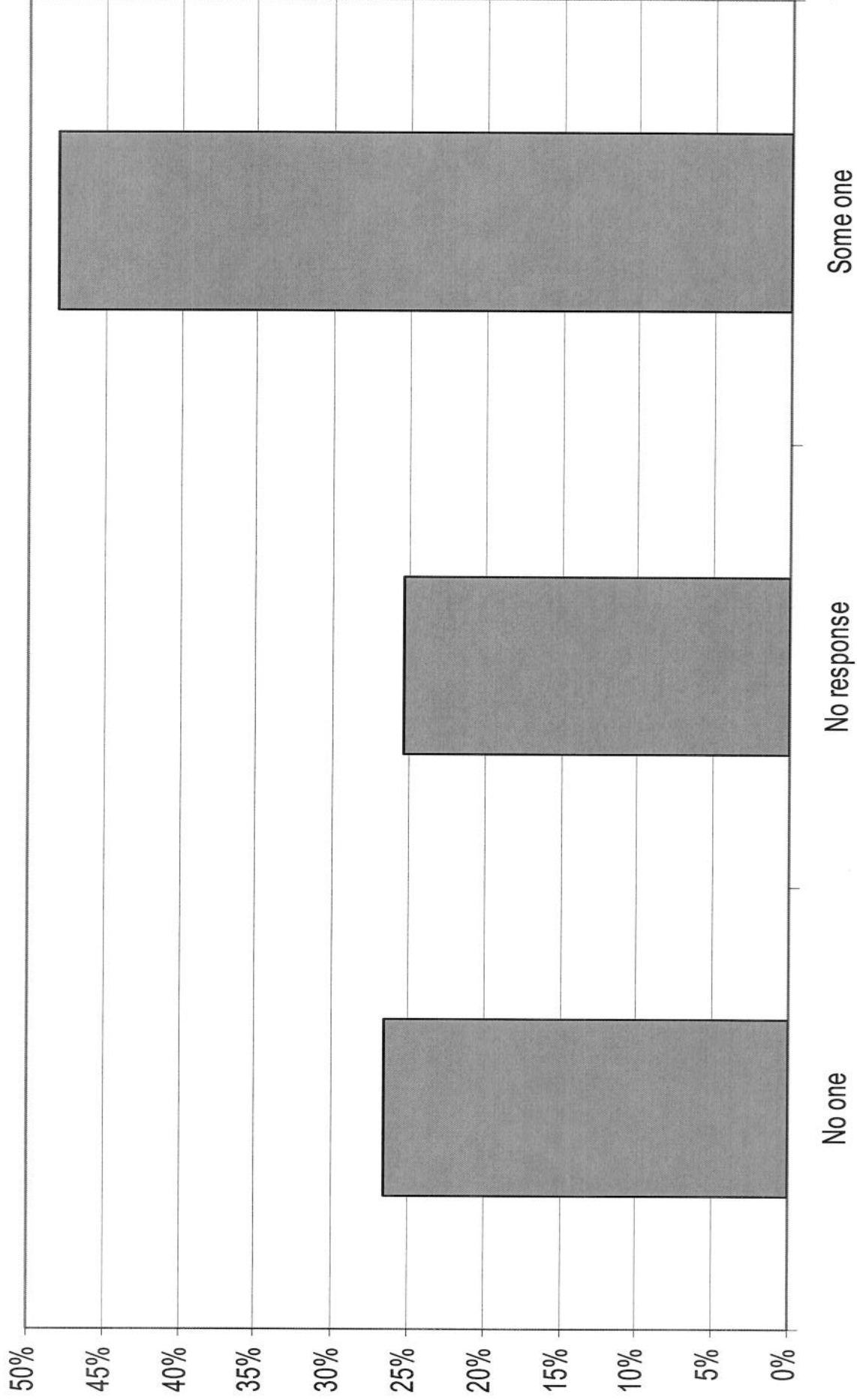
# Iowa Farm Succession Planning

- Random sample mail survey in Spring, 2000
- Survey conducted by Iowa Ag. Statistics Service, USDA
- 418 useable responses (27% response rate)

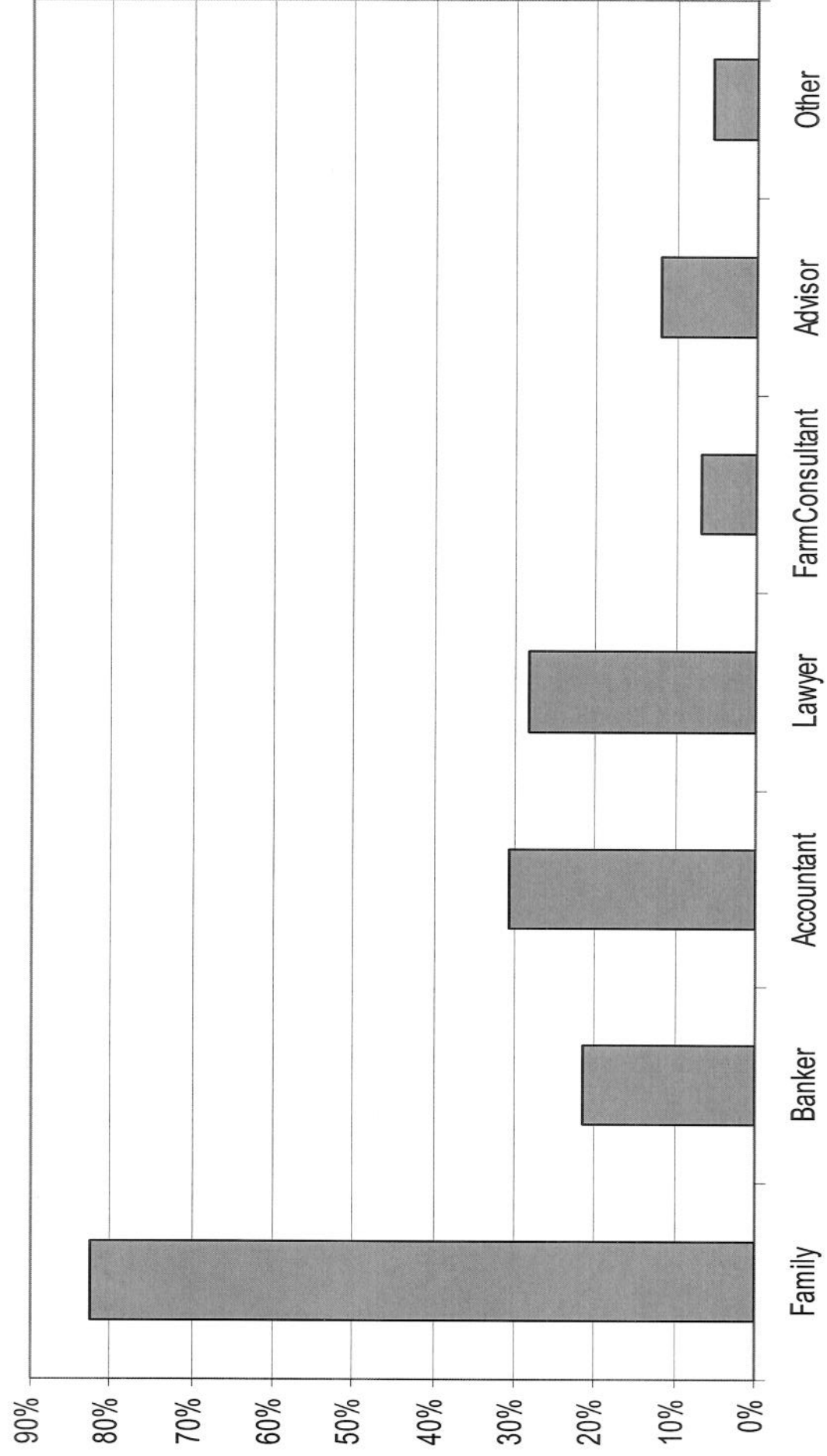
Percent of Iowa Farmers by Retirement Plans



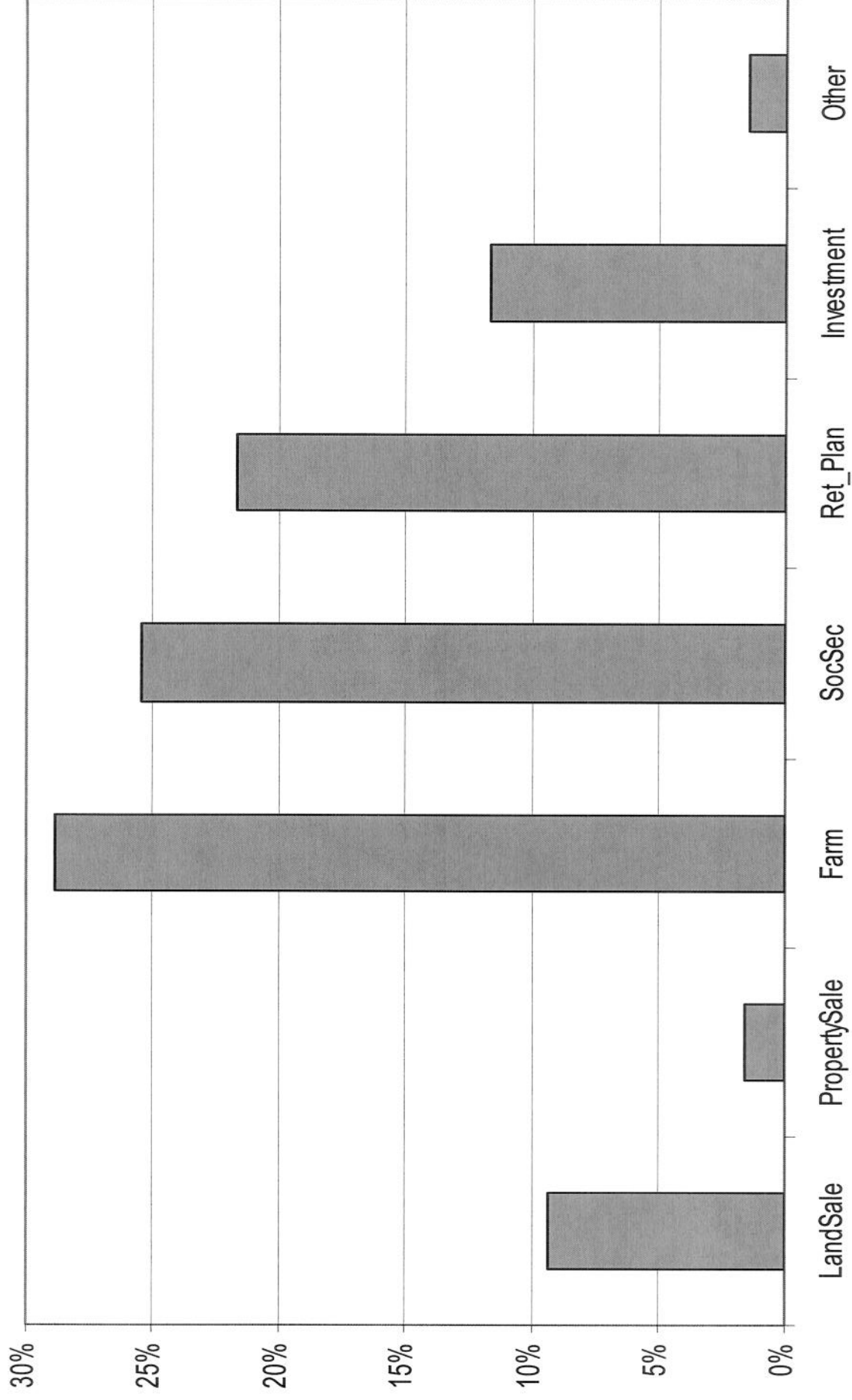
Percent of Iowa Farms by Discussion of Retirement Plans



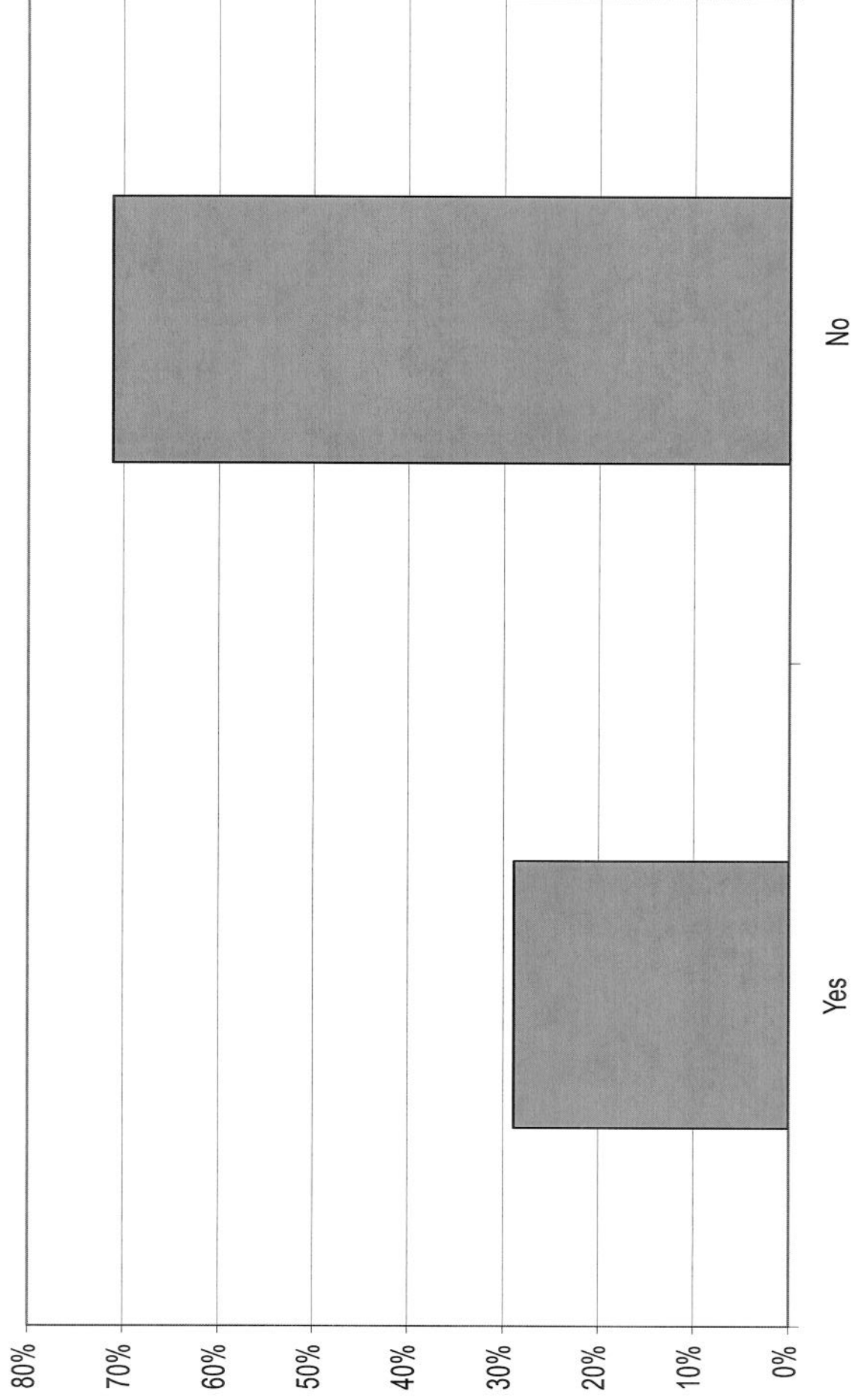
Percent of Groups with Whom Iowa Farmers Have Discussed Retirement Plans



Anticipated Retirement Income by Source

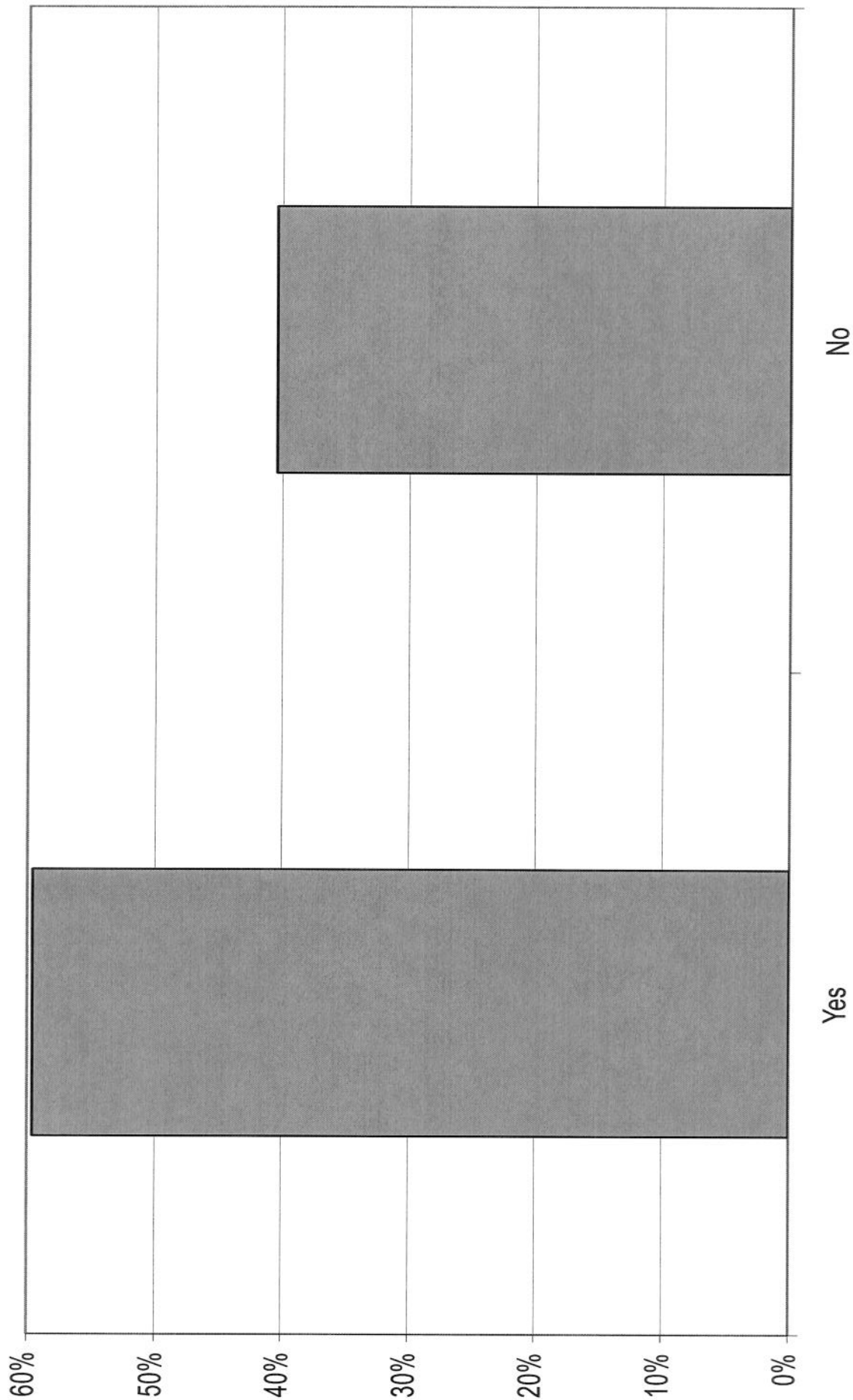


Percent of Iowa Farms That Have Identified a Successor

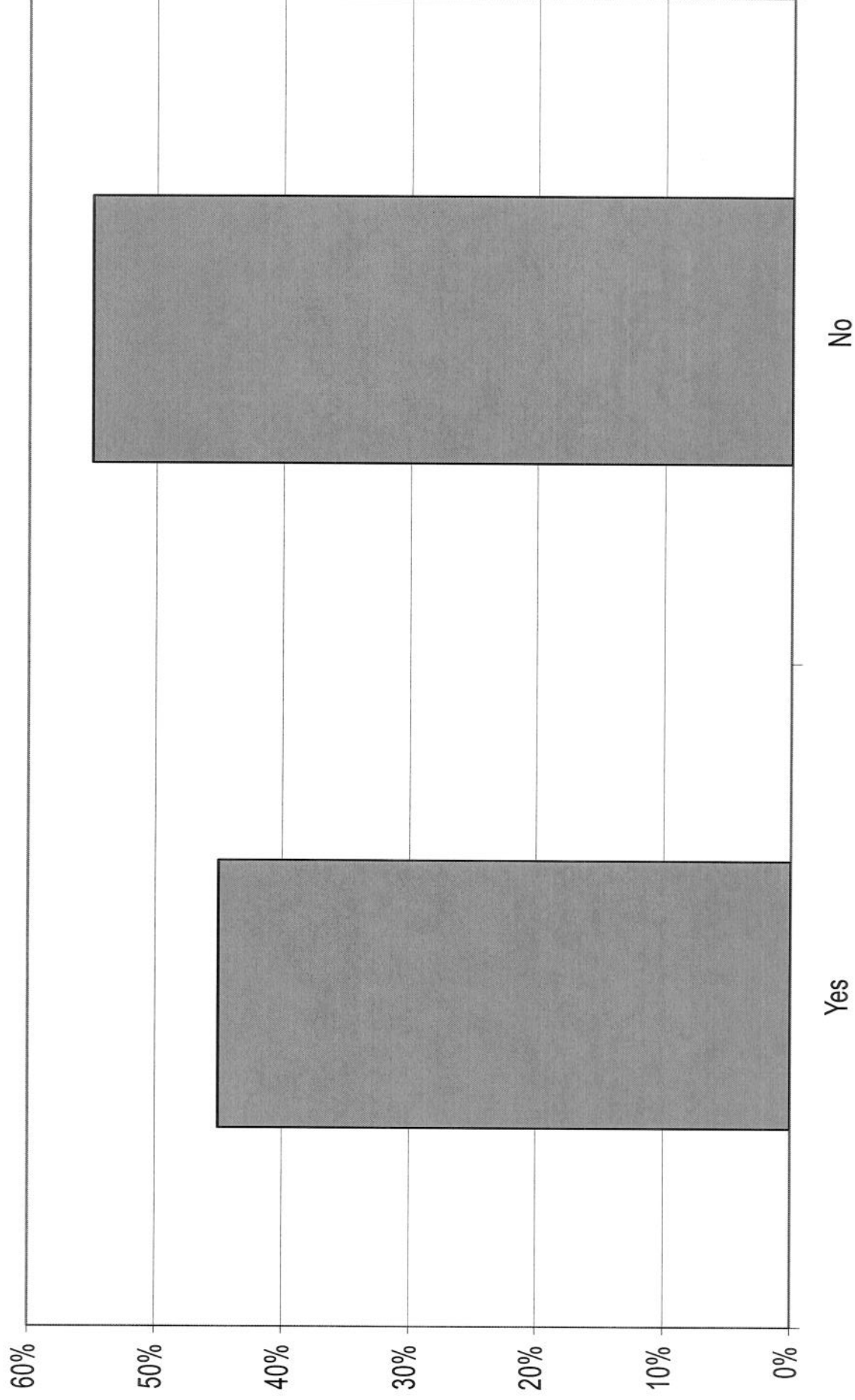




Percent of Iowa Farms Contributing to a Non-Social Security Pension Plan



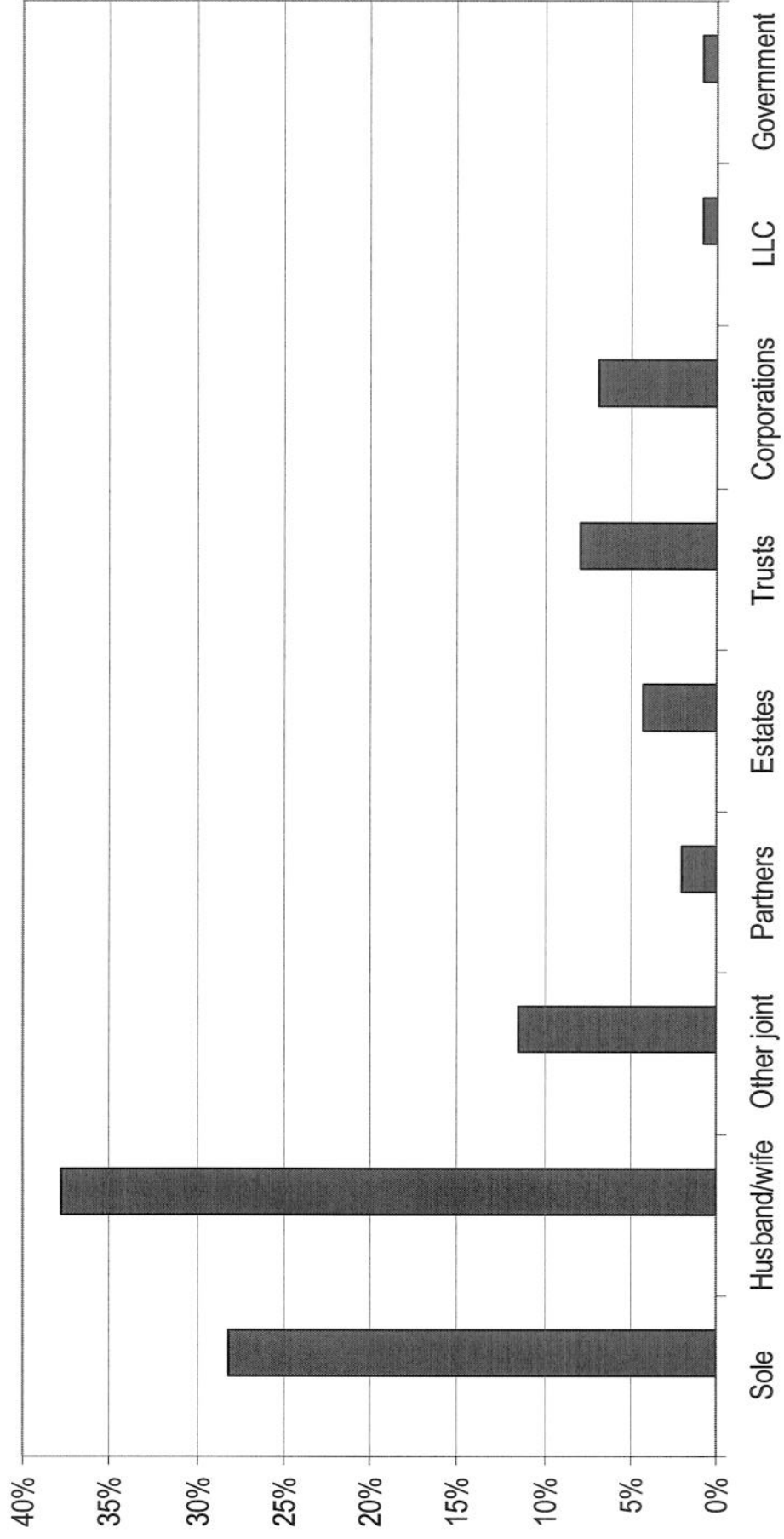
Percent of Iowa Farms That Have Made an Estate Plan



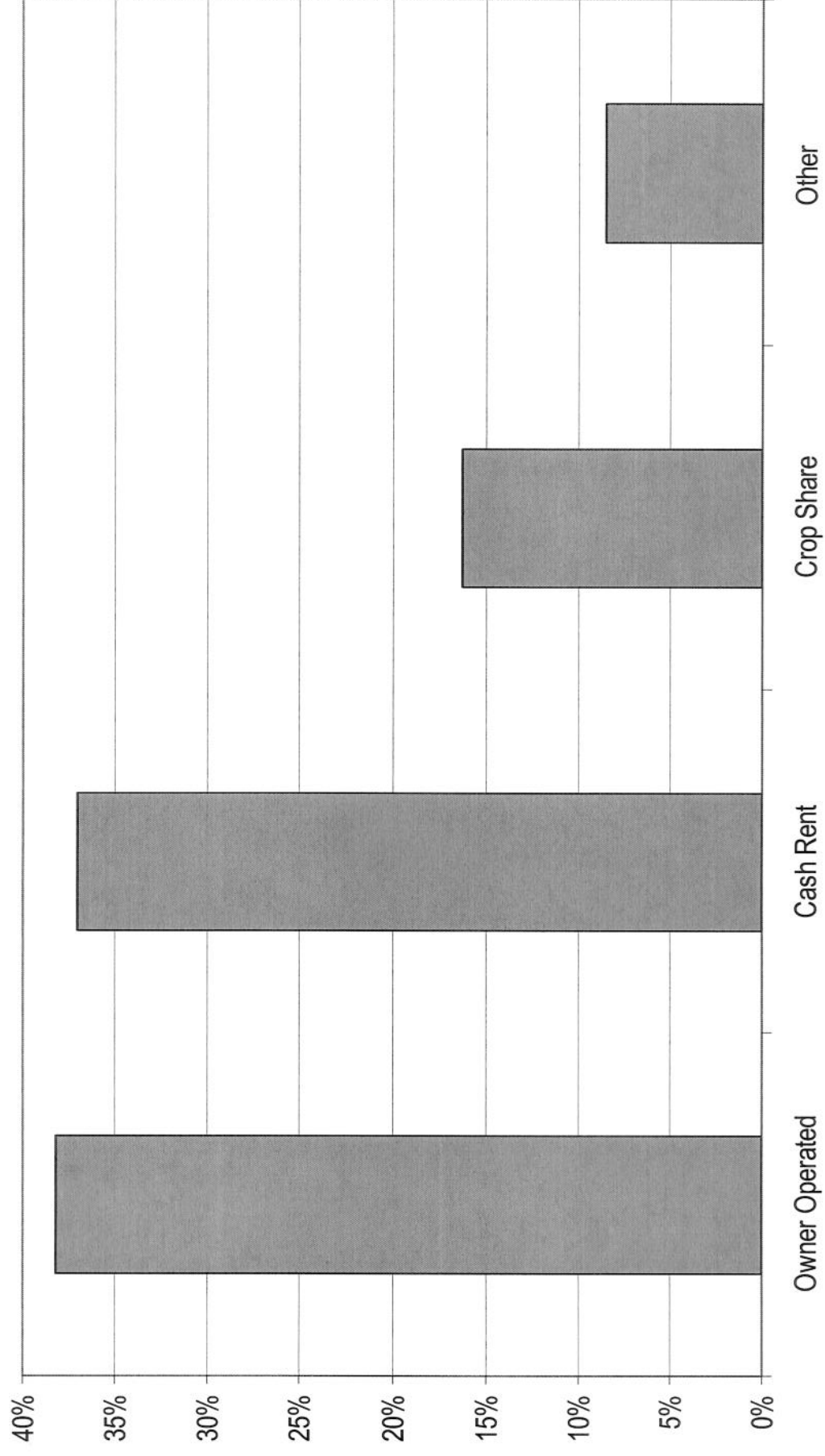
# Iowa Farmland Ownership and Tenure Survey, 2002

- Telephone survey conducted by ISU  
Statistical Laboratory
- Data as of July 1 , 2002
- 633 useable responses, 80% response

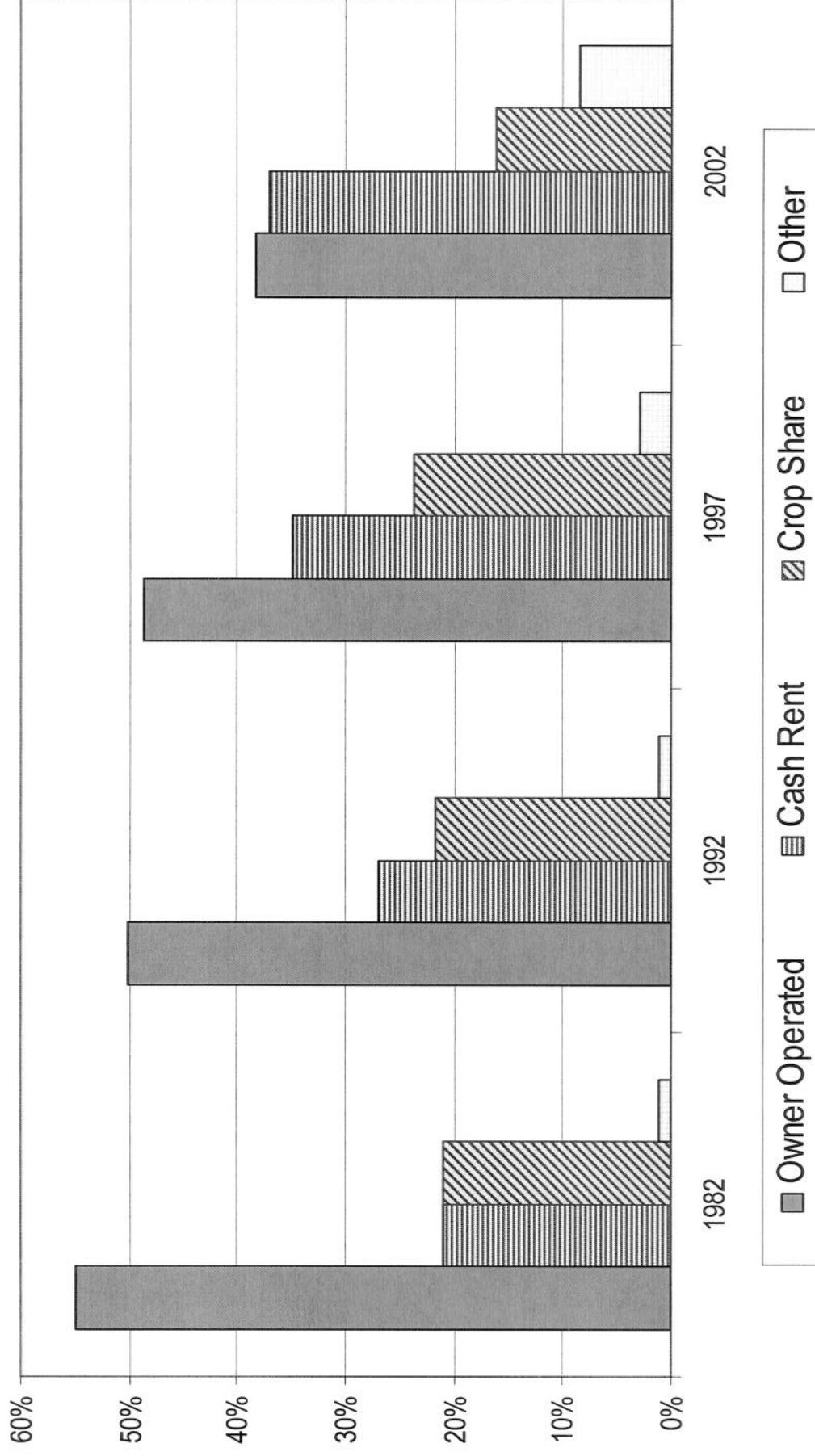
Percentage of Iowa Farmland Owned by  
Land Ownership Type, 2002



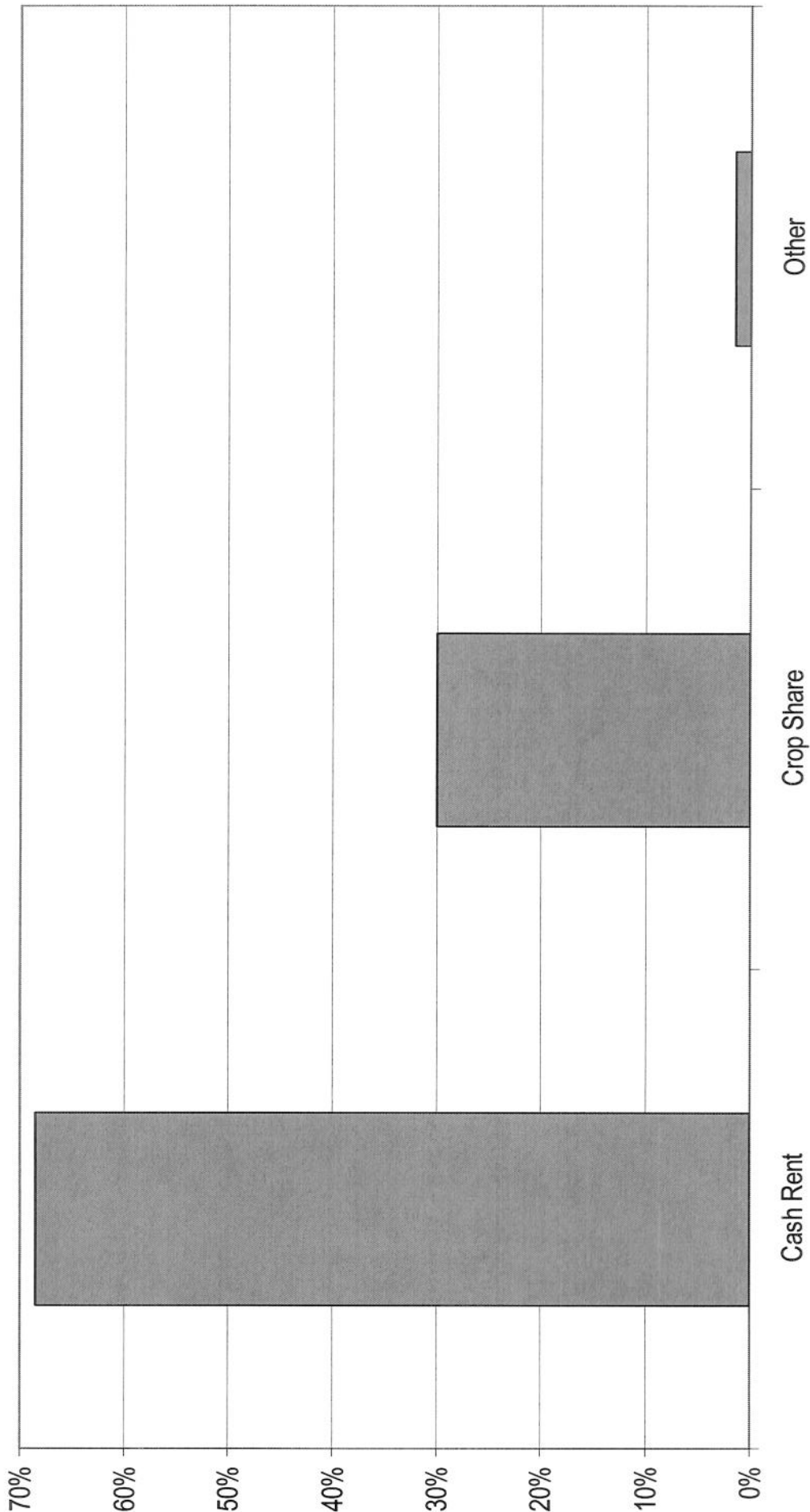
Percent of Iowa Farmland by Tenure Type, 2002



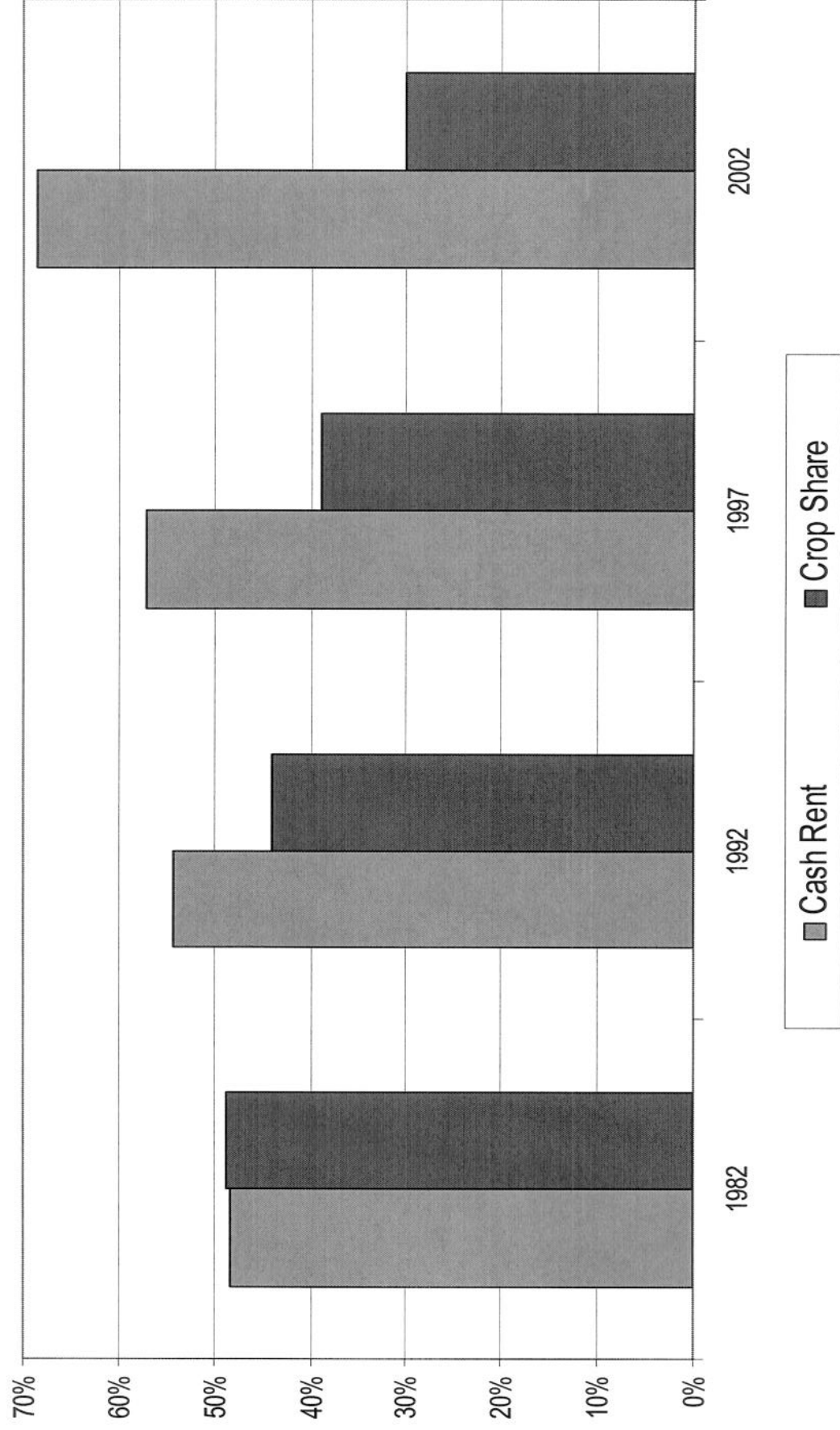
Percent of Iowa Farmland by Tenure Type and Year



Percentage of Leased Iowa Farmland by Rental Arrangement, 2002

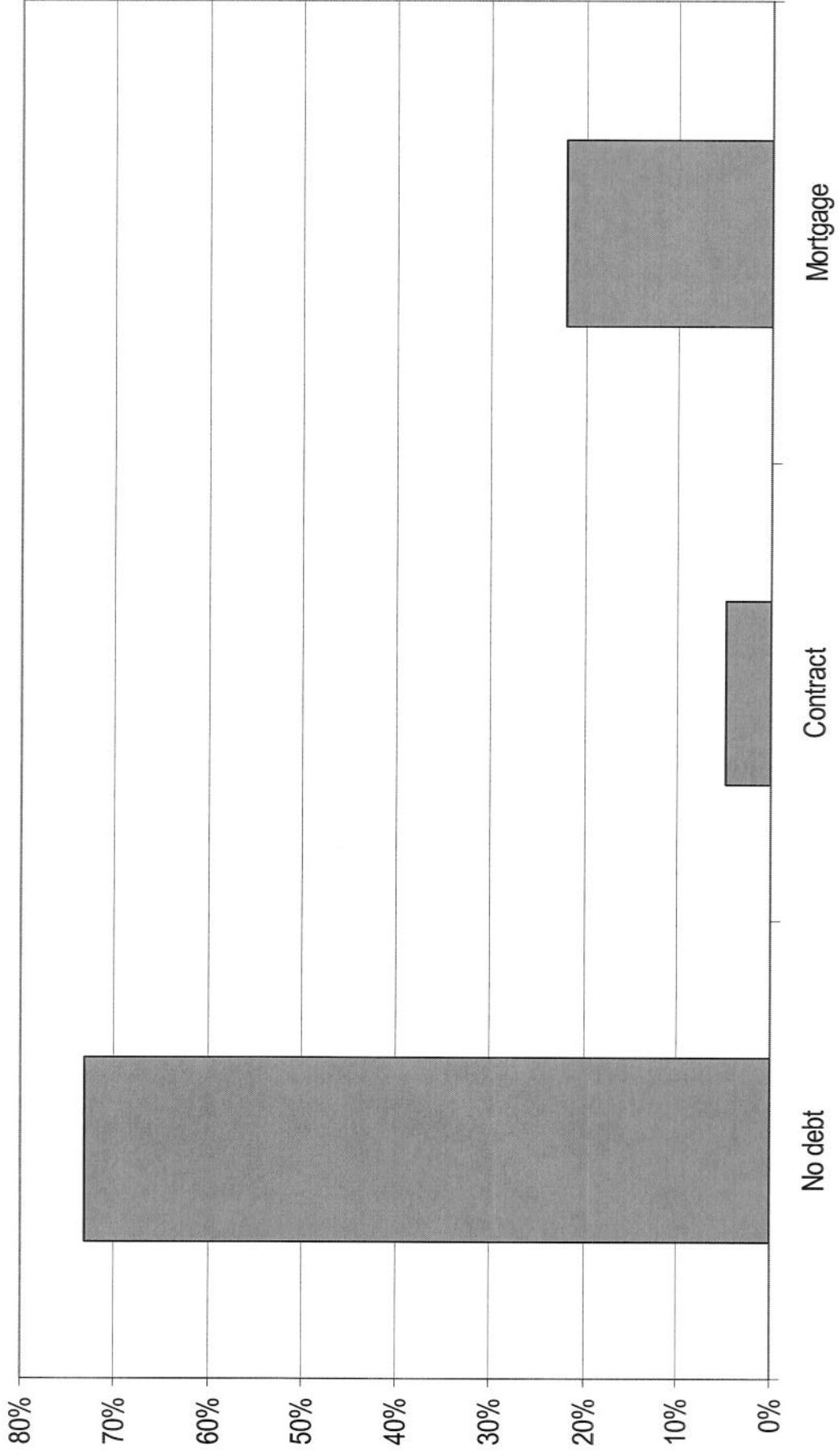


Percentage of Leased Iowa Farmland by Type of Lease and Year

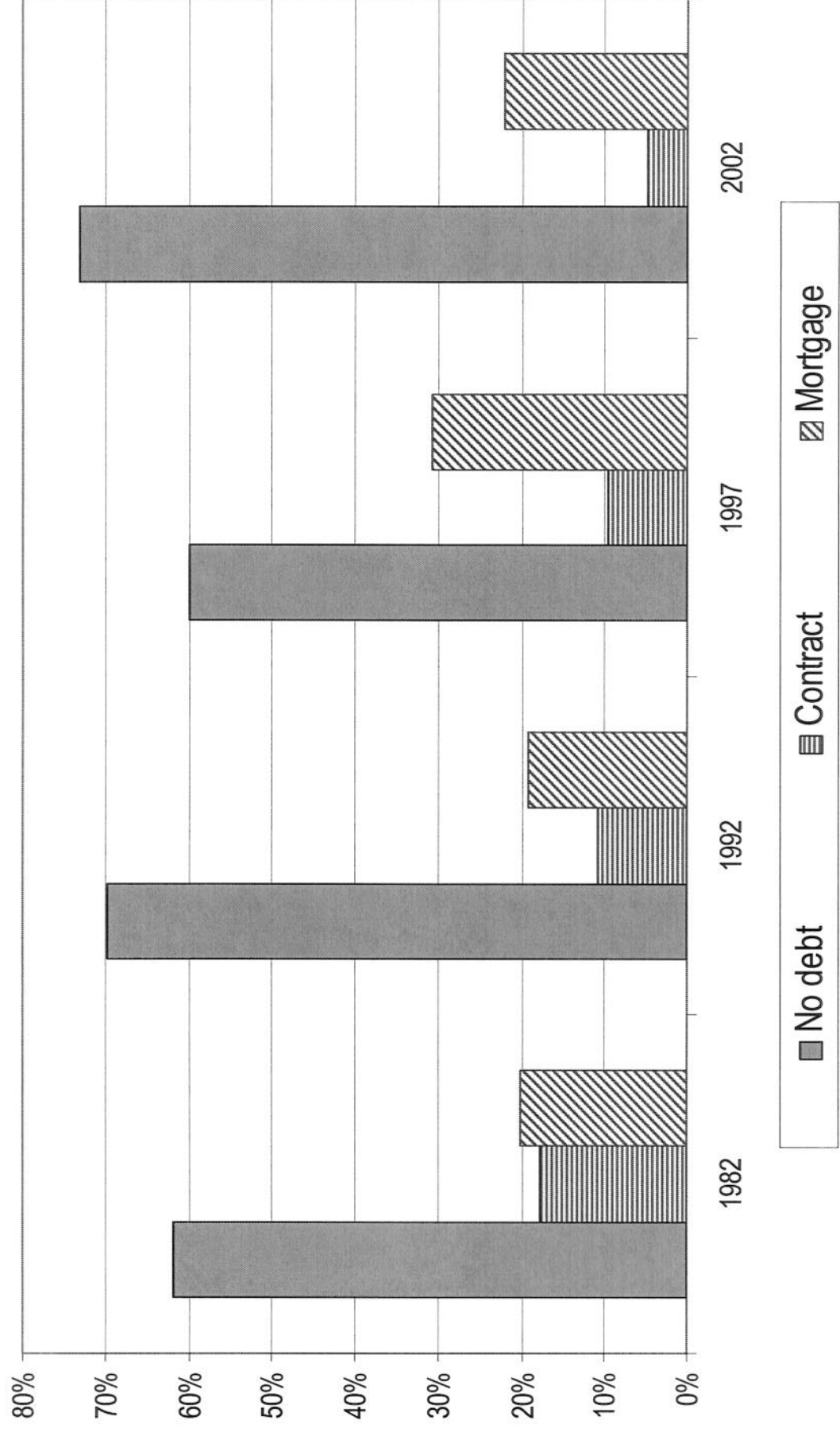




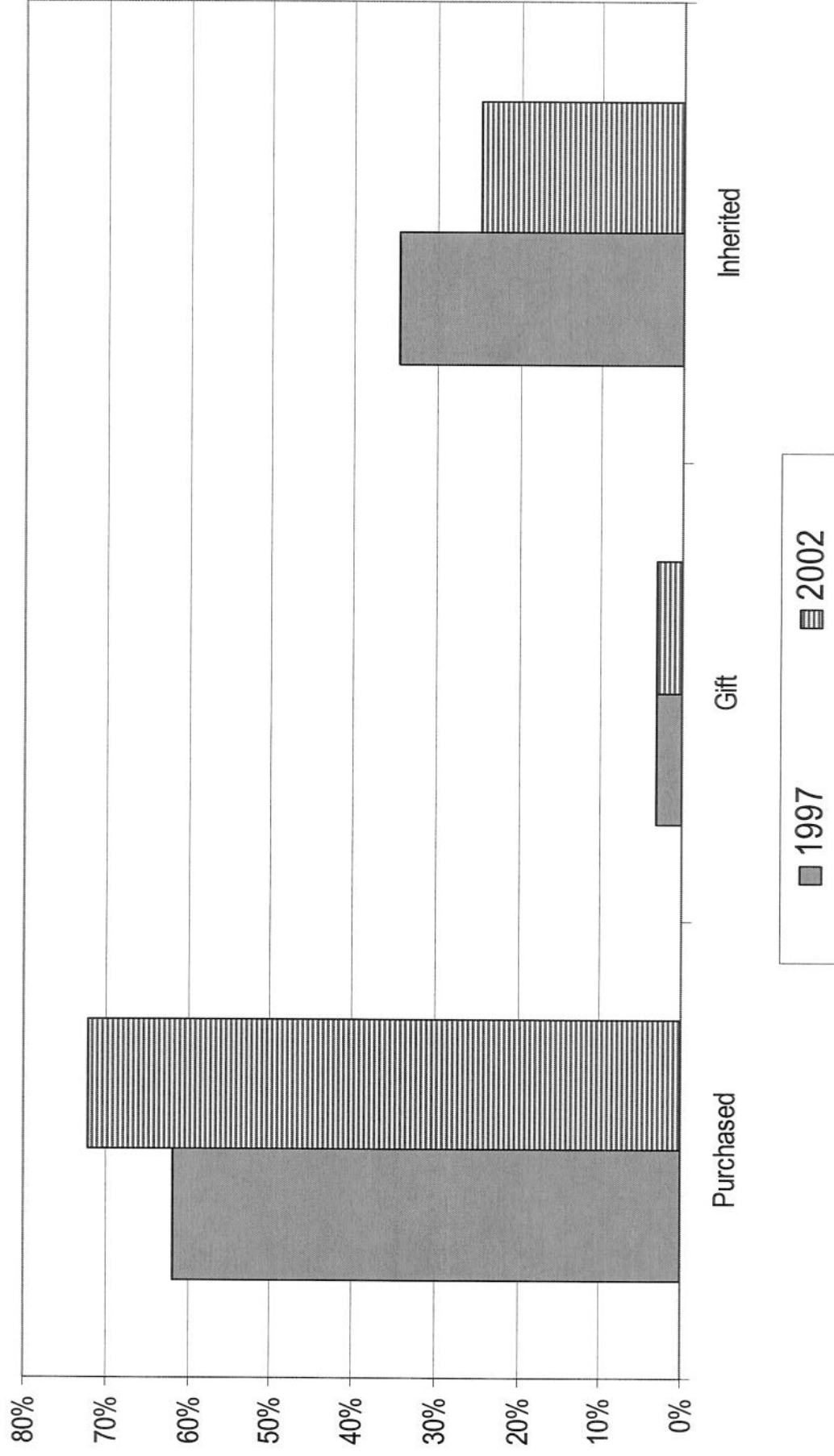
Percent of Iowa Farmland by Method of Financing, 2002



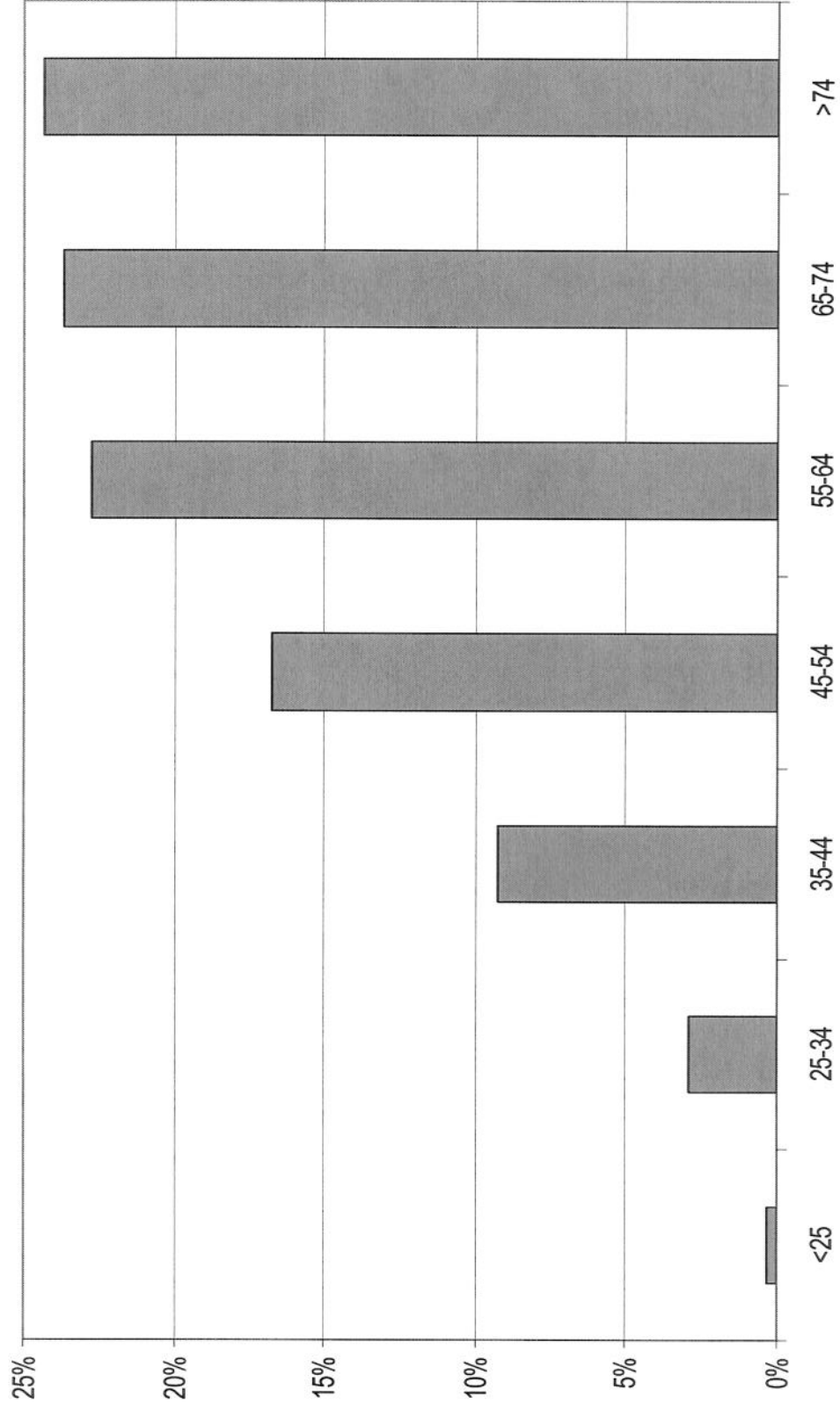
Percent of Iowa Farmland by Method of Financing and Year



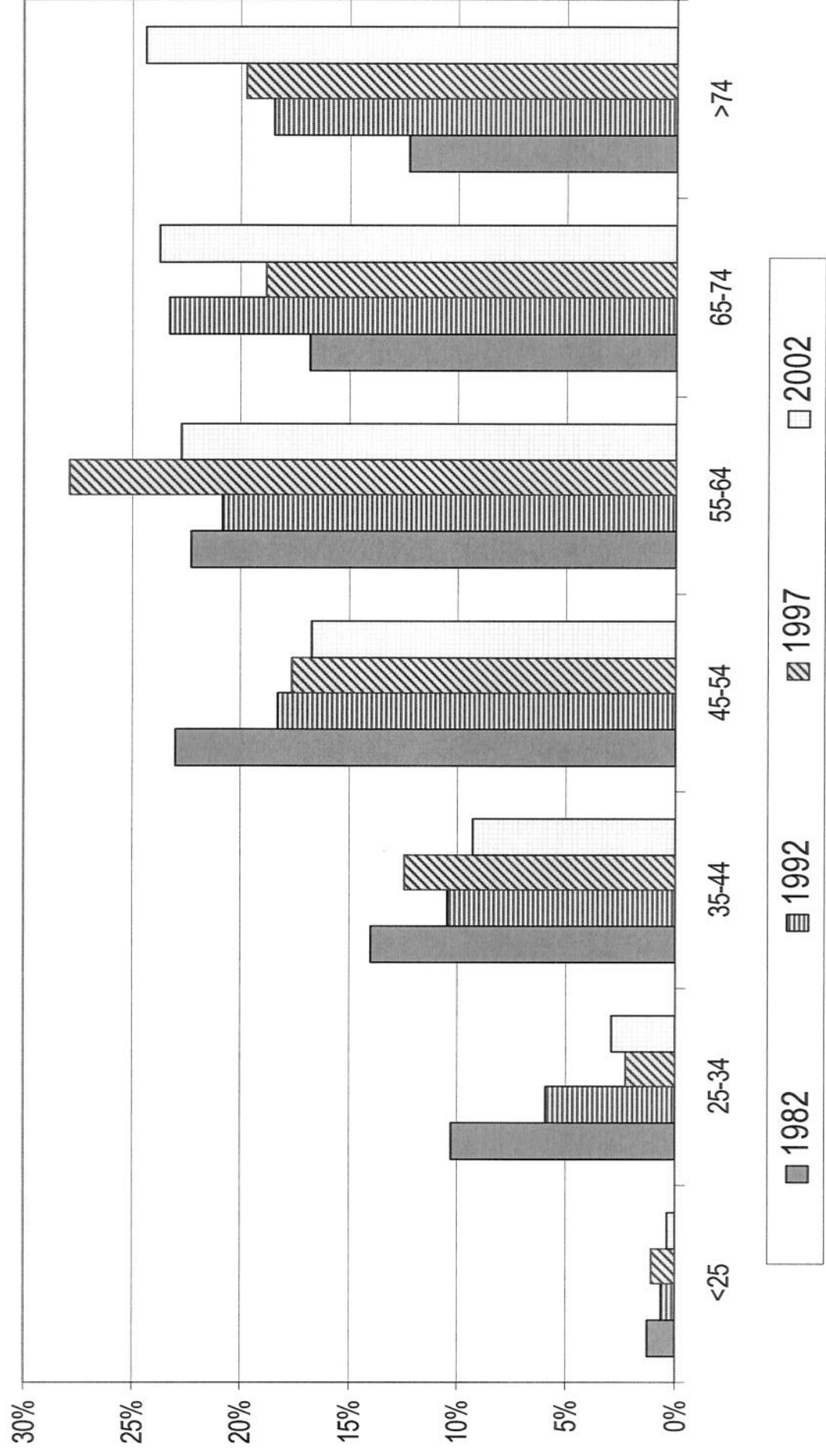
Method of Acquisition for Iowa Farmland by Year



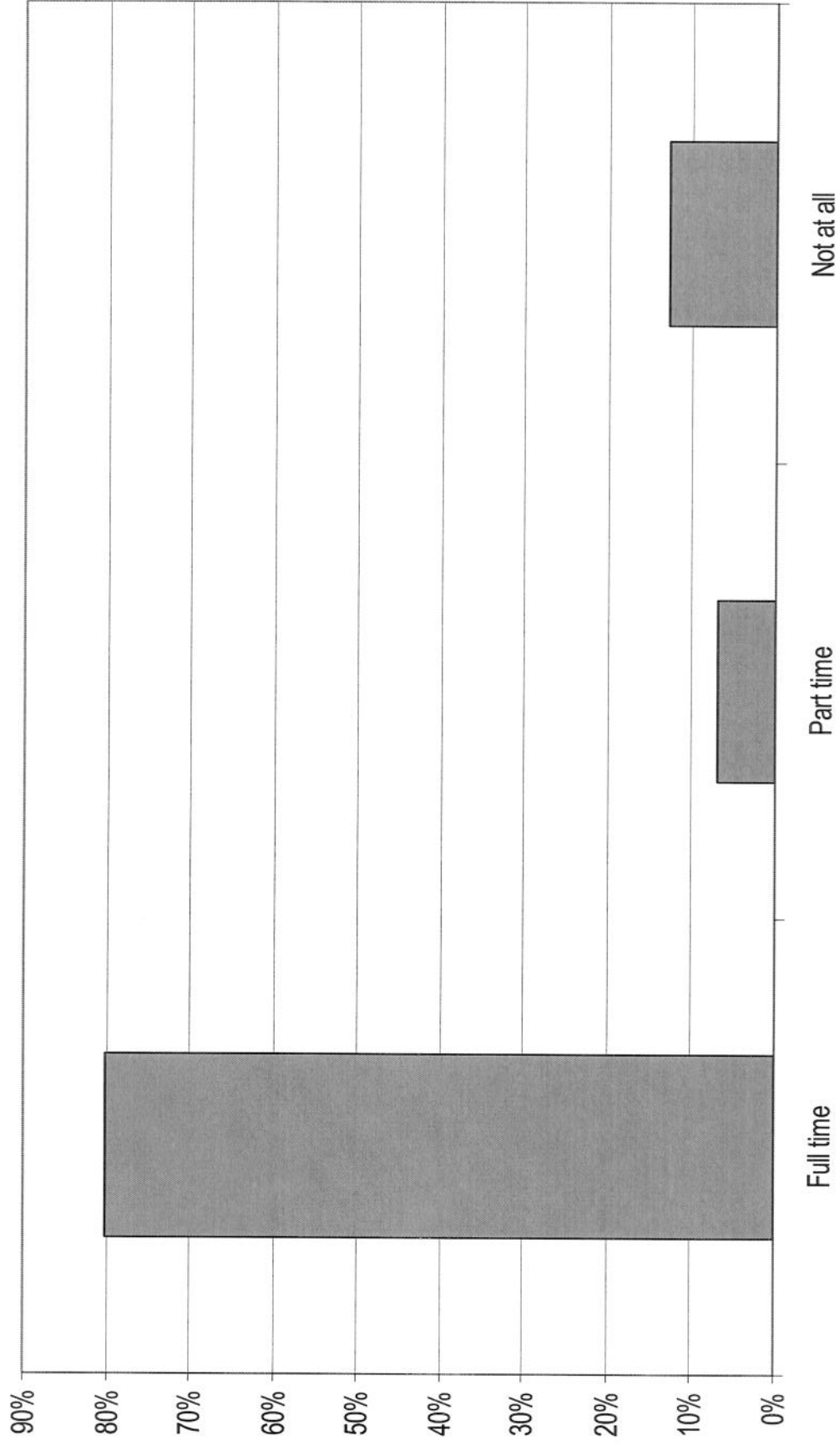
Percentage of Farmland by the Age of the Owner, 2002



# Percentage of Iowa Farmland by Age of Owner and Year



Percent of Iowa Farmland by Length of Time Owner Lives in Iowa, 2002



# Iowa Farmland Initial Conclusions

- Trend away from owner operator continues
- Trend toward cash rent is accelerating
- Age of farmland owners continues to increase
- Investor purchases still remains strong

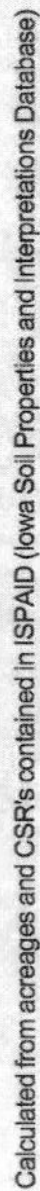
Weighted Average CSR

Under 60

60 - 70

70 - 75

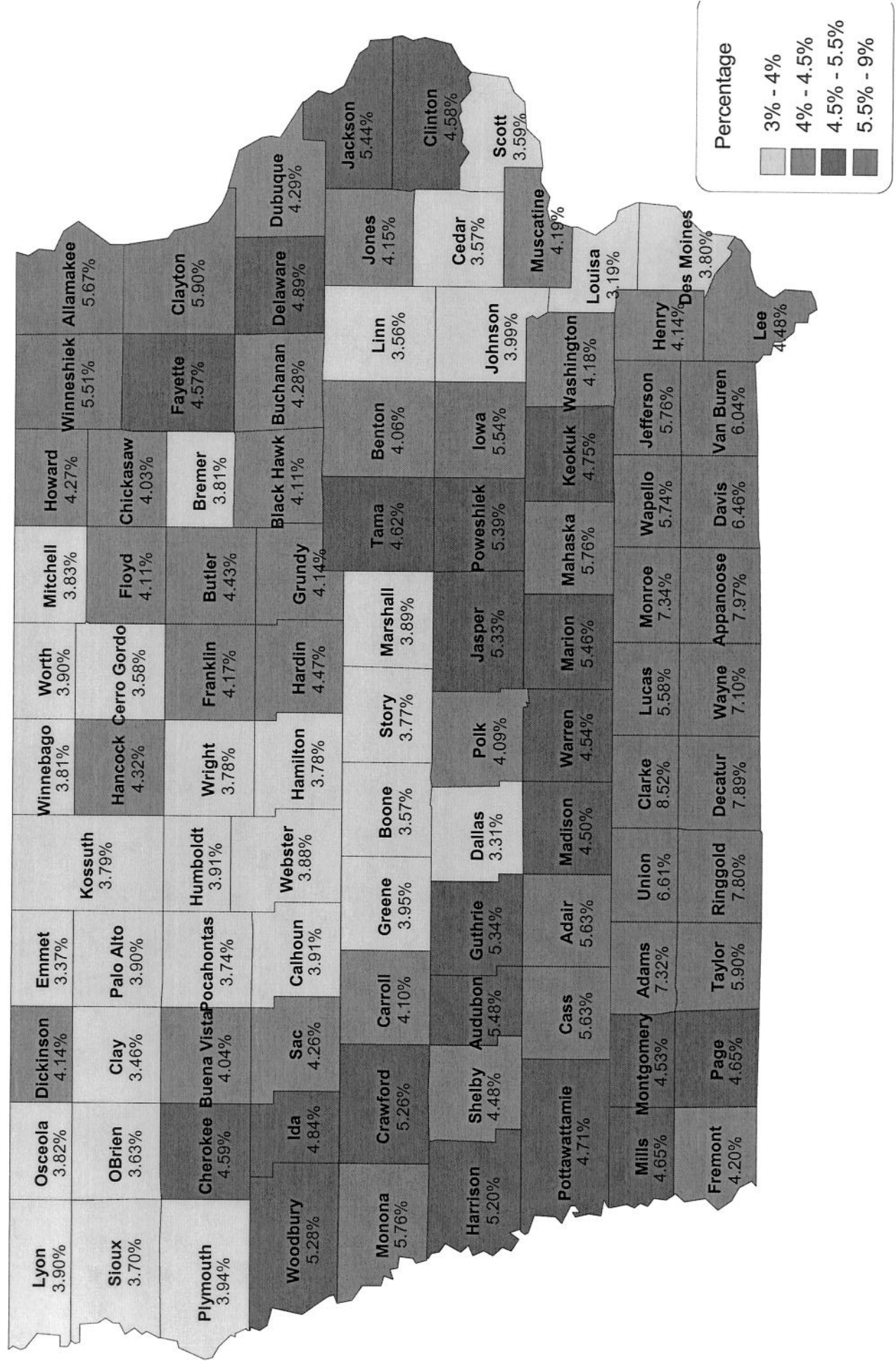
Over 75



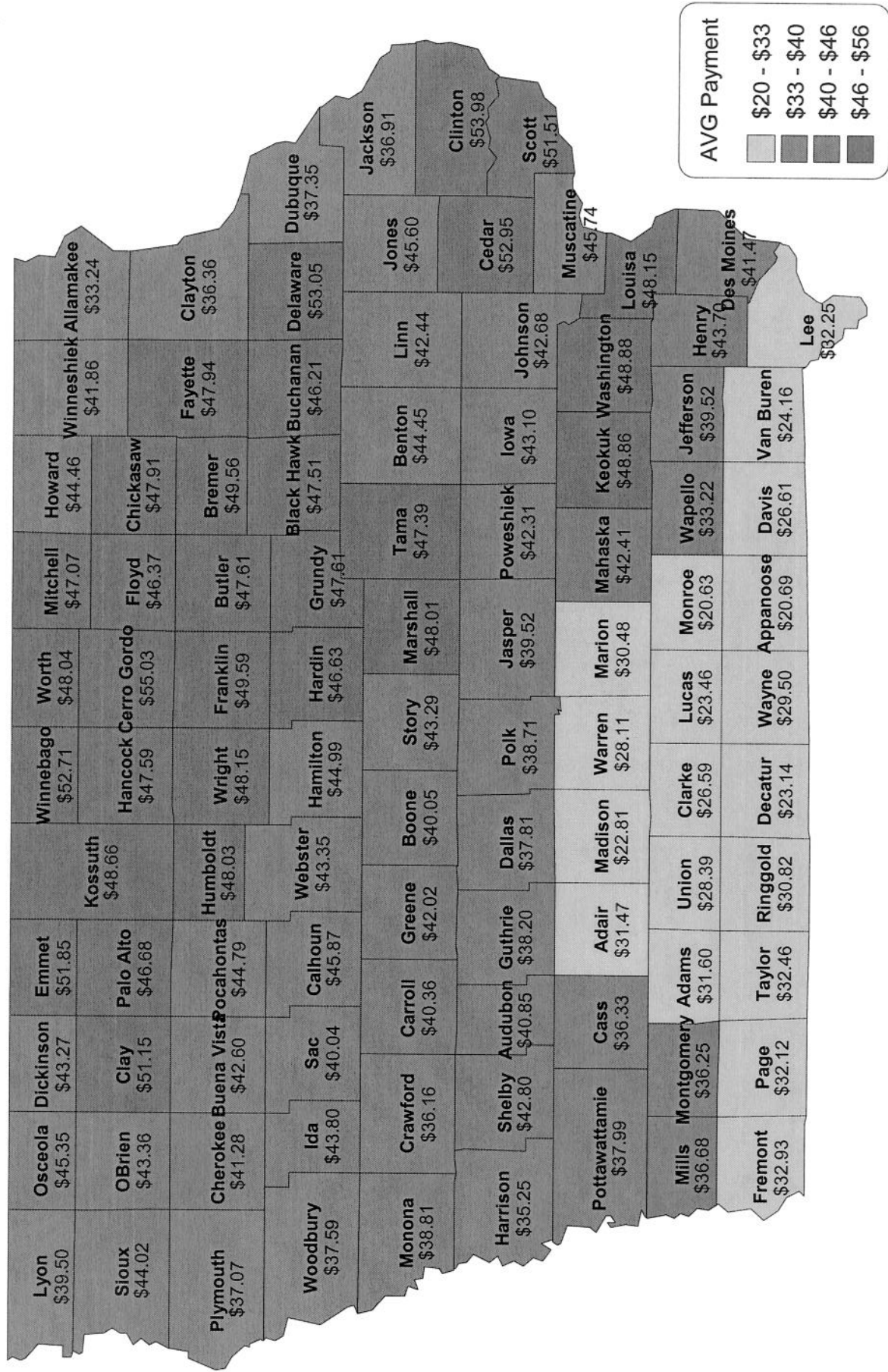
Prepared by Gerald A. Miller and Thomas E. Fenton, Professors of Agronomy, and Brian Tiffany, System Support Specialist  
Department of Agronomy, Iowa State University, Ames, Iowa 50011



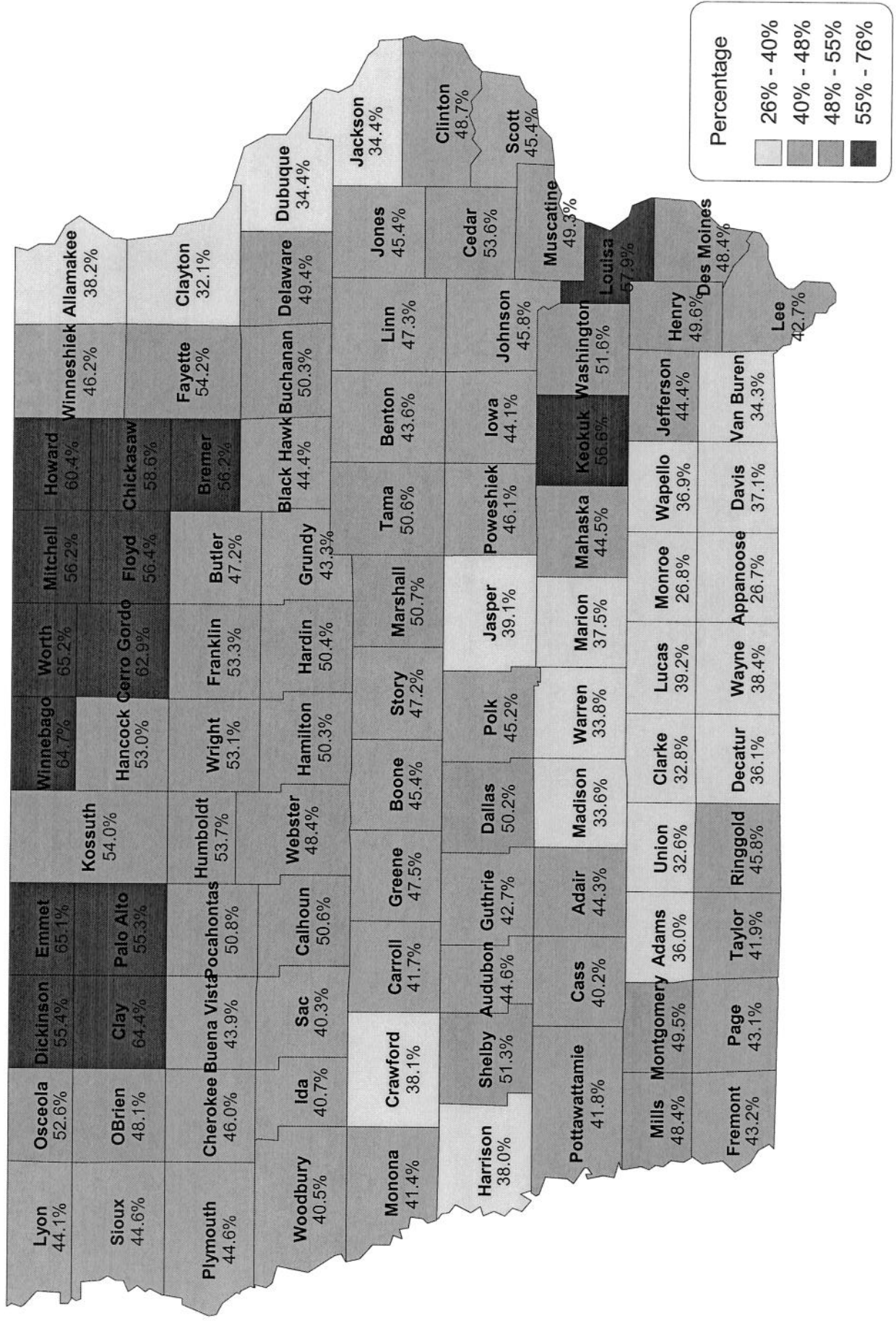
**Figure 1: Capitalization Rate for Rental Income, 2002**



**Figure 2: Average Government Payments  
1995-2002**

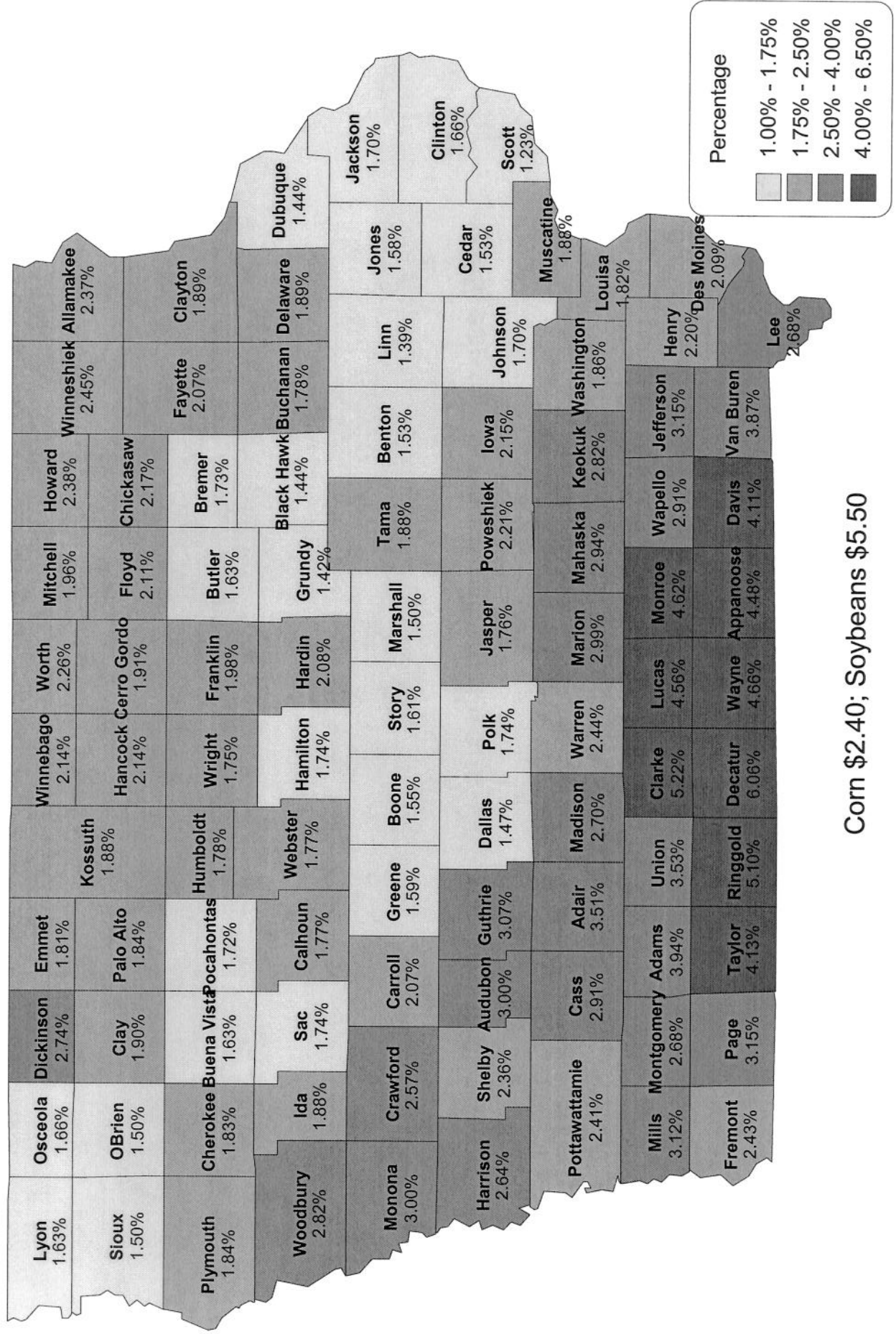


# Government Payments as Percentage of Land Values



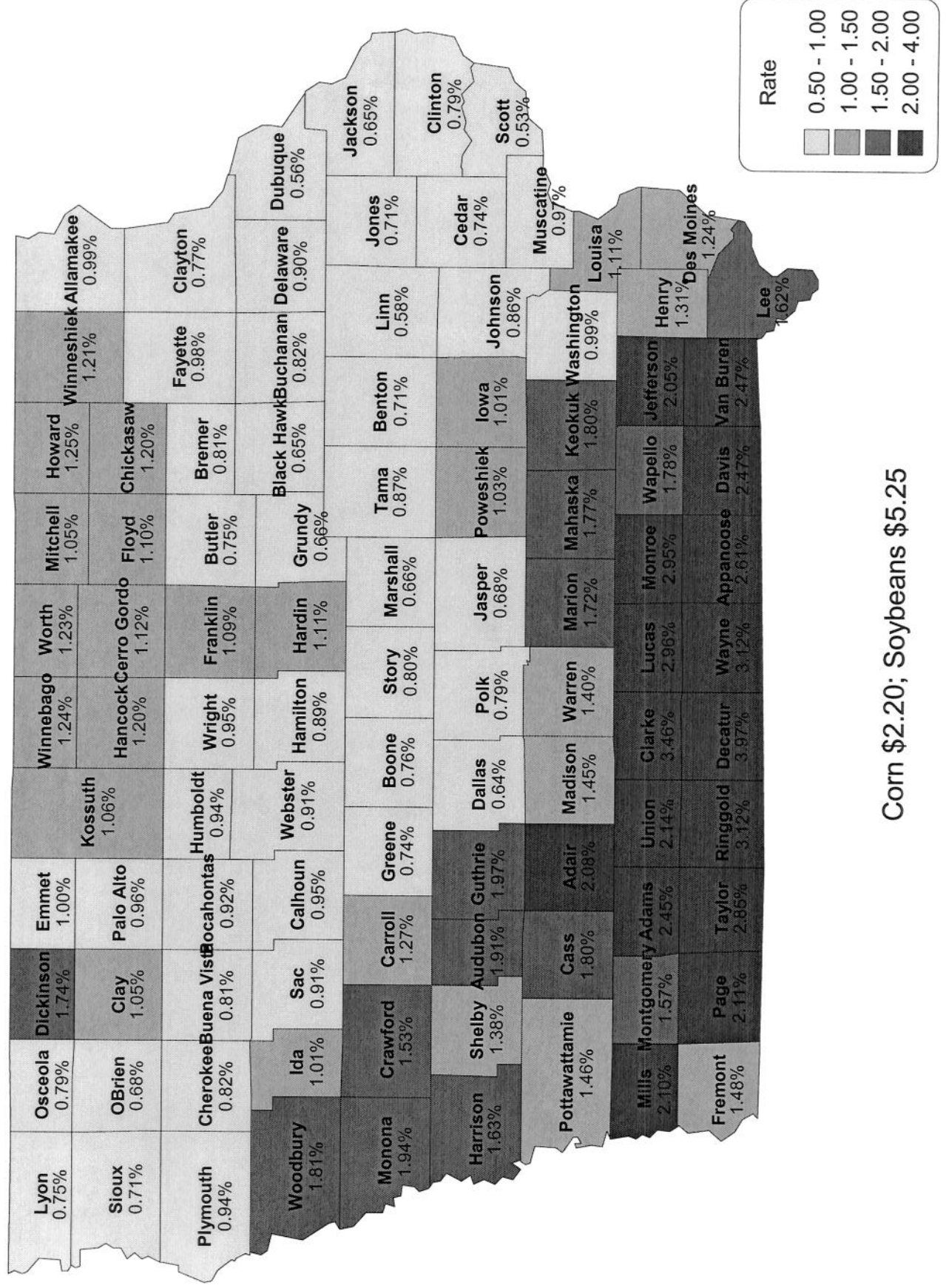


**Figure 3: Capitalization Rate for Income Earned 2002**



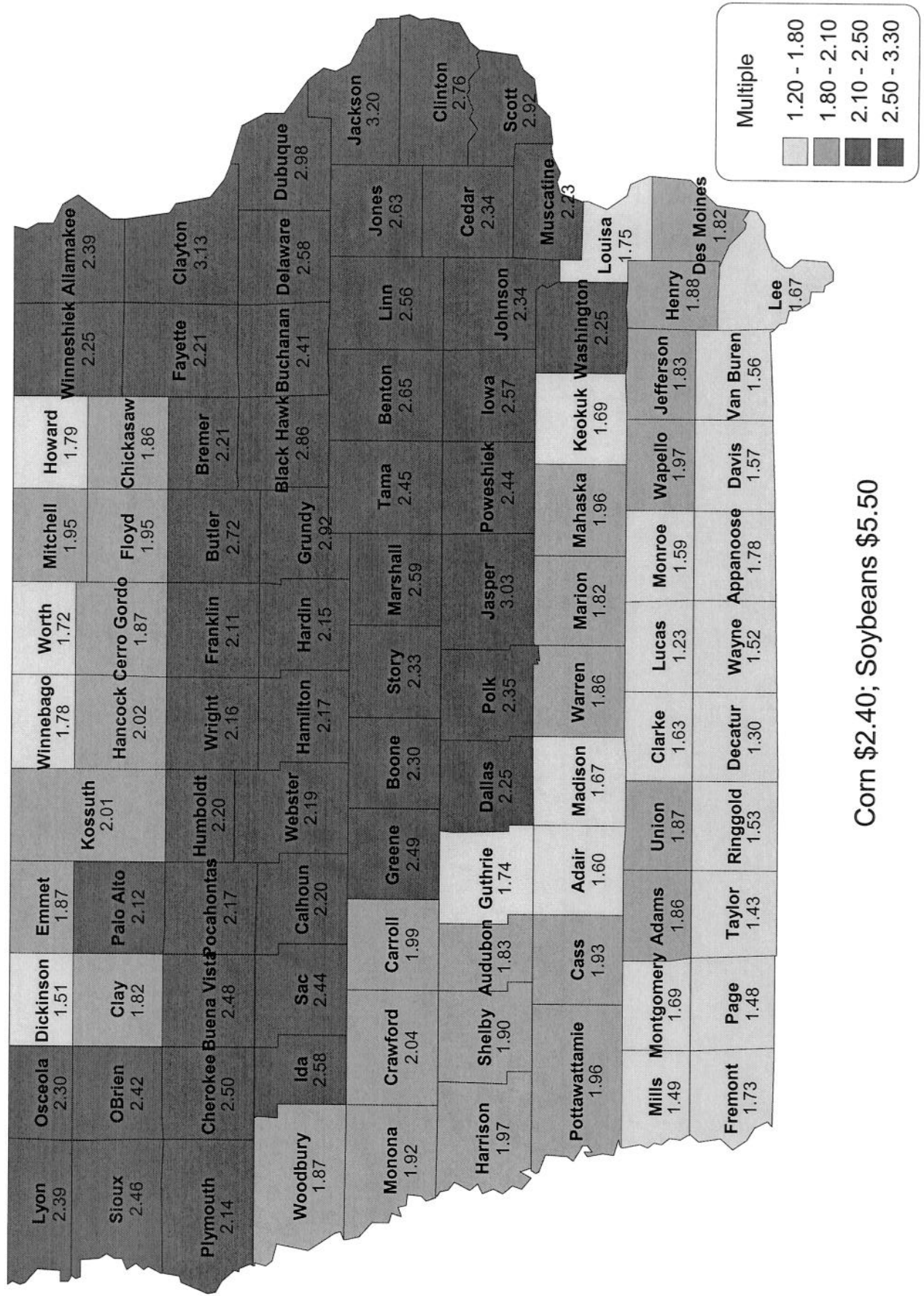
Corn \$2.40; Soybeans \$5.50

# Capitalization Rate for Income Earned in 2002



Corn \$2.20; Soybeans \$5.25

**Figure 5: Land Value as a Multiple of Income Value**



Corn \$2.40; Soybeans \$5.50



**Multiple**

- 1.50 - 3.00
- 3.00 - 3.50
- 3.50 - 5.00
- 5.00 - 8.50

County	Yield (bushels per acre)
Lyon	5.19
Osceola	4.84
Dickinson	2.39
Emmet	3.37
Kossuth	3.56
Winnebago	3.08
Worth	3.17
Mitchell	3.66
Howard	3.42
Winneshek	4.57
Allamakee	5.73
Sioux	5.17
O'Brien	5.33
Clay	3.30
Palo Alto	4.08
Hancock	3.61
Cerro Gordo	3.20
Floyd	3.74
Chickasaw	3.36
Fayette	4.64
Clayton	7.70
Plymouth	4.19
Cherokee	5.58
Buena Vista	4.96
Pocahontas	4.06
Humboldt	4.16
Franklin	3.83
Butler	5.91
Bremer	4.71
Black Hawk	6.33
Buchanan	5.20
Delaware	5.41
Dubuque	7.61
Woodbury	2.92
Ida	4.79
Sac	4.68
Calhoun	4.12
Webster	4.27
Hamilton	4.26
Hardin	4.03
Grundy	6.24
Monona	2.97
Crawford	3.44
Carroll	3.23
Greene	5.36
Boone	4.71
Story	4.74
Marshall	5.85
Tama	5.30
Benton	5.76
Linn	6.11
Jones	5.89
Jackson	8.37
Harrison	3.18
Shelby	3.25
Audubon	2.88
Guthrie	2.71
Dallas	5.20
Polk	5.16
Jasper	7.88
Poweshiek	5.24
Iowa	5.47
Johnson	4.63
Cedar	4.82
Clinton	5.80
Scott	6.79
Muscatine	4.30
Pottawattamie	3.22
Cass	3.13
Adair	2.71
Madison	3.11
Warren	3.24
Marion	3.18
Mahaska	3.25
Keokuk	2.64
Washington	4.21
Louisa	2.87
Mills	2.21
Montgomery	2.89
Adams	2.98
Union	3.10
Clarke	2.46
Lucas	1.88
Monroe	2.49
Wapello	3.22
Jefferson	2.81
Fremont	2.83
Page	2.21
Taylor	2.07
Ringgold	2.50
Decatur	1.99
Wayne	2.28
Appanoose	3.05
Davis	2.62
Van Buren	2.44
Henry	3.16
Des Moines	3.06
Lee	2.77

**Corn \$2.20; Soybeans \$5.25**

Corn \$2.20; Soybeans \$5.25

# Implications

- Current commodity based programs are capitalized into land values and produce a significant barrier to entry for new farmers
- Low rates of returns in commodity production require high volumes to produce an adequate income
- Older farmers are looking to land as a source of retirement income
- Low rates of return require significant resources to allow land purchase



# Options for Beginning Farmers

- With commodity production they must work towards volume as a means of generating income
- Look for means to produce differentiated products to widen the margins
- Look for off-farm income to supplement farming income
- Consider alternative employment

# Conclusions

- Trends continue to move against beginning farmers
- Society must decide what is the purpose of the government programs and if having beginning farmers is a legitimate concern
- Beginning farmers must realistically make their choices based on their resource base and the situations they face
- Cheap credit is not the solution for beginning farmer problems

**Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses**

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Dustin Gregory Bollig
2. BusinessAddress: 3701 30<sup>th</sup> Avenue Fenton, IA 50539
3. Business Phone Number: (712) 260-2305
4. Organization you represent: Beginning Farmers Network
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:  
I have worked on my families farm all my life and know have my own farm business
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:  
I graduated from Iowa State University wth a degree in Ag Studies and minored in Agronomy.
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:  
While I was at Iowa State I started a group called the Beginning Farmers Network.  
Aimed to help beginning farmers develop strategies towards farming after college.  
I am the founder of this organization.

**PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.**

Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Dustin Gregory Bollig

Address: 3701 30<sup>th</sup> Ave Fenton, IA 50539

Telephone: (712) 260-2305

Organization you represent (if any): Beginning Farmers Network

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: \_\_\_\_\_

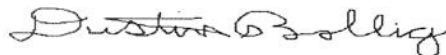
Source: None Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: None Amount: \_\_\_\_\_

Source: None Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: **X**



Signature: \_\_\_\_\_

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

**PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.**